DISSERTATION

ON

ANALYSING THE NEED OF LEGAL PROVISIONS ON SPAC IN INDIA: A STUDY IN COMPARISON WITH US, UK AND SINGAPORE

LL.M Dissertation submitted in the partial fulfillment of the requirement for the Degree of Master of Laws at the Sister Nivedita University (SNU) Kolkata

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This research work has not been submitted for the award of any other degree of this University or of any other University.

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DECLARATION BY THE STUDENT

I hereby declare that the work which is being presented in this dissertation entitled "**A Analysing the need of legal provisions on SPAC in India: A study in comparison with US, UK and Singapore**" in partial fulfilment of the requirements for the award of the degree of Masters of Law in Corporate Law as an authentic record of my own work carried out during the period from 2024 to 2025 under the supervision of Ms. Neha Mittal, Assistant Professor, Department of Law, Sister Nivedita University, Kolkata.

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PREFACE

The evolution of global financial markets has introduced innovative investment vehicles, and among the most transformative in recent years is the Special Purpose Acquisition Company (SPAC). My dissertation, titled *" Analysing the need of legal provisions on SPAC in India: A study in comparison with US, UK and Singapore,"* is born out of a growing recognition of the need to examine India's preparedness to embrace this structure. While SPACs have rapidly evolved and gained momentum in global markets, particularly in the US, the Indian legal and regulatory environment remains in a formative stage, posing both challenges and opportunities.

The primary **purpose** of this study is to investigate the current regulatory gaps in India that hinder the adoption of SPACs and to propose a legal framework that aligns with global best practices. Drawing comparisons with jurisdictions such as the US, UK, and Singapore, this research also aims to understand how effective corporate governance can be integrated into SPAC transactions to safeguard investor interests and maintain transparency.

The **significance** of this work lies in its timely exploration of a financial innovation that could unlock new capital avenues for Indian startups and emerging industries. By examining corporate governance challenges and regulatory inconsistencies, this study contributes to the ongoing policy dialogue and offers a roadmap for fostering a SPAC-friendly environment in India. It is my hope that this dissertation serves as a meaningful resource for academicians, policymakers, and legal practitioners seeking to navigate and shape the future of SPACs in India.

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I am indebted to many people who have helped me accomplish this Dissertation successfully.

Firstly, I thank the Chancellor Dr. Satyam Ray Choudhary of Sister Nivedita University for giving me the opportunity to conduct this research.

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I would also like to thank Ms. Neha Mittal, Assistant Professor, Sister Nivedita University for her support and guidance during my research. I remember her with much gratitude for her patience and motivation, without which I could not have submitted this work.

I thank my parents and sibling for their blessings and constant support without which this dissertation would not have reached its successful completion. I also thank all my friends who have helped me at various stages of my research.

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LIST OF SYMBOLS AND ABBREVIATIONS

ABBREVIATIONS AND SYMBOLS	FULL FORM
SPAC	Special Purpose Acquisition Company
IPO	Initial Public Offering
UK	United Kingdom
USA	United States Of America
OTC	Over-the-Counter
SEC	U.S. Securities and Exchange Commission
IFSCA	International Financial Service Centre Authority
SEBI	Securities and Exchange Board of India
NASAA	North American Securities Administrators Association
PSRA	Penny Stock Reform Act
i.e.	That is
Corp.	Corporation
CFO	Chief Financial Officer
ILR	Indian Law Reporter
AIM	Alternative Investment Market
Ltd.	Limited

No.	Number
PLC	Public Limited Company
Ors.	Others
FCA	Financial Conduct Authority
PCAOB	Public Company Accounting Oversight Board
PSLRA	Private Securities Litigation Reform Act
IAC	Investor Advisory committee
S.	Section
MCA	Ministry of Corporate Affairs
NCLT	National Company Law Tribunal
SGX	Singapore Stock Exchange
LSE	London Stock Exchange
RBI	Reserve Bank of India
NASDAQ	National Association of Securities Dealers Automated Quotations
NYSE	New York Stock Exchange

LIST OF STATUTES

USA

1. Penny Stock Reform Act in 1990
2. Securities Exchange Act of 1934
3. Private Securities Litigation Reform Act
4. Securities Act of 1933

INDIA

1. Issuance and Listing of Securities Regulations, 2021
2. SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018
3. SEBI (Alternative Investment Funds) Regulations, 2012
4. Income Tax Act, 1961
5. Companies Act 2013

SINGAPORE

1. SGX Mainboard Listing Rules, 2021

UK

1. UK Listing Rules, 2021

CHAPTER 1

INTRODUCTION

Special Purpose Acquisition Company or SPAC is a publicly traded company aiming to acquire or merge with a private company helping it to go public. It is specifically designed to raise capital through an initial public offering (IPO) having no intention to commercialize operation but to acquire or merge with a target company. Generally, SPAC is known to be a Blank- Check Company because they are created without a specific target company in mind and also with no commercial or revenue of operation at the time of the IPO.

SPAC had gained a bad reputation since 1980's due to numerous scams and financial misconduct. It was often used for fraudulent activities and speculative investments. Due to lack of regulatory oversight, it created a minimal transparency in business. But reformation in rules and regulation helped in redesigning the structure of SPAC in 1990's and evolving it into a legitimate vehicle for raising capital from public. It became most popular in 2007-2008 global financial crisis and again it made its re-emergence in 2020. It became an attractive vehicle and gained attention due to its increase market volatility, faster and less costly approach towards public listing and involvement of high-profile sponsors and investors.

Ultimately, when a SPAC raises capital through IPO, it places its capital in a trust account which can only be used in acquiring or merging with a target company. It generally has 18 to 24 months to identify and complete acquisition which is known as DE-SPAC transaction. If the company is unable to acquire or merge within the specific time period, it gets liquidated, and all the funds are returned to its respective investors or sponsors.

Many SPAC acquired company underperform after going public due to overvaluation or operational inefficiency. SPAC has faced hurdles in India due to their structure and way of operation. Various restrictions and strict criteria's make SPAC unfavorable for the existing Indian market. However, the rise of SPAC in global market, SEBI and International Financial Service Centre Authority (IFSCA) has shown keen interest in creating a regulatory framework to accommodate SPAC in India. As India is a developing country and is moving towards globalization, introduction of SPAC friendly

rules could unlock a new capital raising avenue especially for startups and other emerging industries.

1.1. STATEMENT OF PROBLEM

Emergence and growth of SPAC have significantly transformed global capital market, but their development in India has been slow and fragmented largely due to regulatory and legal constraints. The disparity between global and Indian adoption of SPAC raises a critical question on regulatory environment and socio- economic factors. Indian companies have often sought SPAC listing abroad, reflecting gaps in domestic capital market policies. Lack of comprehensive research on historical evolution of SPAC in India, compared to their global trajectory raises key issues in understanding how SPAC have adopted in different legal and economic environment. In USA SEC Regulation S-X, Article 15 talks about 'Acquisition of businesses by a shell company' whereas subpart 1600 specifically deals with 'Special Purpose Acquisition Companies'. As per Listing Rules 5.6.8G typically mandate any shell company would undergo suspension of listing if potential target company name have been reveled but recent update in listing standards allow the DE- SPAC transaction without presumption of suspension have made significant change in UK market. SGX introduced new regulatory framework allowing SPAC to be publicly listed helping Singapore in securing a stronghold in global financial market exploring new dynamics from September 3, 2021. SPAC in India remains at a nascent stage as compared to global markets like US, UK and Singapore. Indian domestic regulatory framework has not yet fully accommodated SPAC structure. This helps to analyze the historical development of SPAC compared to the legal and regulatory framework across major economies like US, Singapore and UK and identifying challenges and opportunities for SPAC in India.

SEBI and IFSCA is the first to experiment in this area for the development of SPAC-LIKE structure favorable for Indian environment and understanding how regulatory changes can influence the SPAC activity, investor sentiment and capital market is crucial for predicting future growth. In India, the nascent stage of SPAC development, compounded by an ambiguous regulatory framework, exacerbates their corporate governance dilemmas. Absence of clear guidelines under Companies Act 2013 coupled with fragmented SEBI oversight for SPAC specific activity raises concerns about transparency, disclosure standards and board accountability. Additionally, the role of

independent directors, post-merger performance monitoring and investor or sponsor rights remain underexplored areas in the light of corporate governance. The research aims to analyze the corporate governance challenges with SPAC both globally and in Indian context.

1.2. LITERATURE REVIEW

1. Brij Bhushan Garg & Soubhik Chatterjee, *Legal Aspects of Designing a Special Purpose Acquisition Company (SPAC) in India*, Indian Inst. of Mgmt. Calcutta, Working Paper No. 687 (Nov. 2011).

The researcher via this paper evaluated the regulatory framework and legal environment surrounding SPAC in Indian context till 2011. It deals with laws affecting and impeding the operation of SPAC in India with analyzing the design or structure of SPAC and discussing it in conformance with the current laws.

2. *The Advocates League*, *Viability of Special Purpose Acquisition Companies (SPACs) in India: Demystifying SPACs for Investors and Indian Companies* (June 2021).

In this paper the researcher made various observations aiming to determining the viability of introducing SPAC in India. It analyzed various factors leading towards a SPAC boom in US market and also highlighting the advantages, risks and regulatory concerns associated with SPACs in India keeping in mind the Future investors, Indian companies and its shareholders of the target companies. It also tries to integrate various regulatory changes required to accommodate SPAC in India and ultimately observed the potential of SPAC an efficient mode of vehicle entering India to be feasible for the Indian market or not.

3. Pavithra R., *Special Purpose Acquisition Companies in India: Addressing the Tax Reality Behind the Façade*, (Aug. 2023).

The researcher tried to decode SPAC by defining SPAC incorporating it through various laws specifically viewing and observing SPAC transaction through the lens of tax regime in India. This paper also explores in a very limited approach various case studies related to SPAC in India from Yatra and Terrapin to listing of Renew Power; India shares

4. Daniele D'Alvia, *From Darkness to Light: A Comparative Study of Special Purpose Acquisition Companies in the European Union, the UK, and the US*, 24 **Cambridge Y.B. Eur. Legal Stud.** 201 (2022), doi:10.1017/cel.2022.8.

This paper deals with financial regulatory framework governing SPAC within European Nation (EU) and United Kingdom and comparing against the legal system of SPAC in United States. This study made by author analyzed the US SPAC regulation which follows the predominant transaction centric approach, focusing on enforcement driven process and comparing with EU and UK espousing a teleological regulatory model anchoring broader legal principle derived from company law and financial jurisprudence.

5. Suhaliya Qureshi, *Special Purpose Acquisition Companies (SPACs): A Legal Perspective on Corporate Governance, Securities Compliance, and Regulatory Challenges*, **Int'l J. for Multidisciplinary Res.** (Nov.–Dec. 2024).

In this paper researcher tried to analyze various legal frameworks related to SPAC in India in comparison with US and also highlights risks and legal issues relating to SPACs. Author also tried to point out the future prospect of SPAC in India.

6. Priyadharshini R, *What Is Special About Special Purpose Acquisition Companies: Analysing Questions on Regulatory Framework and Corporate Governance* (Dec. 12, 2024), https://dnluslj.in/what-is-special-about-special-purpose-acquisition-companies-analysing-questions-on-regulatory-framework-and-corporate-governance/.

In this article author tried to question corporate governance related to SPAC considering positions of both sponsors and shareholders. This article also deals with IFSC regulations of SPAC and also highlights various regulatory hurdles related to current listing structure in India.

7. CFA Institute, The New Age of Special Purpose Acquisition Companies: What Investors Should Know, May 2022, https://www.cfainstitute.org/sites/default/files/-/media/documents/article/position-paper/cfa-spac-investors.pdf.

This comprehensive report examines the rise of Special Purpose Acquisition Companies (SPACs) and their implications for investor protection, corporate governance, and market integrity. It provides detailed insights into the SPAC lifecycle, associated conflicts of interest, disclosure quality, and regulatory considerations. The report also includes recommendations for regulators to enhance transparency and safeguard investor interests in SPAC transactions.

8. J.S. Kalisvaart & C.F.C. Sutherland, *A Brief History of the SPAC and the Development of Its Characteristics*, Tijdschrift voor Jaarrekeningenrecht, No. 3 (2022), https://www.gtlaw.com/en/insights/2022/1/published-articles/een-korte-geschiedenis-van-de-spac-en-de-ontwikkeling-van-haar-karakteristieken.

In their article, Kalisvaart and Sutherland explore the evolution of Special Purpose Acquisition Companies (SPACs), tracing their origins from early blank check companies to their modern incarnation as tools for taking companies public. They analyze how SPACs have developed unique characteristics, such as the use of trust accounts, redemption rights for shareholders, and specific timelines for acquisitions. The authors also discuss the regulatory responses to SPACs in various jurisdictions, highlighting the balance regulators seek between fostering market innovation and ensuring investor protection. The article provides a comprehensive overview of SPACs' historical context and their role in contemporary financial markets.

9. **Haley M. Kavanaugh & David J. Kaufman**, *SEC Urges SPACs to Include Disclosures of Conflicts of Interest*, Thompson Coburn LLP (Oct. 28, 2021), https://www.thompsoncoburn.com/insights/sec-urges-spacs-to-include-disclosures-of-conflicts-of-interest/.

This article discusses the U.S. Securities and Exchange Commission's (SEC) recommendation for Special Purpose Acquisition Companies (SPACs) to disclose potential conflicts of interest, particularly concerning sponsor incentives and acquisition decisions. The SEC emphasizes the importance of transparency to ensure investors can make informed decisions.

10. **Akila Agrawal, Yash J. Ashar, Ravi Shah & Avani Dalal**, *Using SPAC Vehicles as a Means of Listing Outside India*, IndiaCorpLaw: A Cyril Amarchand Mangaldas Blog (Sept. 14, 2020), https://corporate.cyrilamarchandblogs.com/2020/09/using-spac-vehicles-as-a-means-of-listing-outside-india/.

This article discusses the resurgence of Special Purpose Acquisition Companies (SPACs) and their potential use by Indian companies to list in international markets. It explores the structure of SPACs, the process involved, and the benefits and challenges associated with this route for Indian firms seeking global visibility and capital.

11. **Manohar Samal, Bhavana J. Sekhar & Sathyajith M.S.**, *An Indian Perspective on Special Purpose Acquisition Companies*, GLA-TR-001, Global Law Assembly (Oct. 15, 2021), https://www.researchgate.net/publication/355215540_An_Indian_Perspective_on_Special_Purpose_Acquisition_Companies.

This technical report provides a comprehensive analysis of Special Purpose Acquisition Companies (SPACs) from an Indian legal perspective. It examines the structure and operational process of SPACs, regulatory concerns under various Indian laws, and offers recommendations to address these challenges. The report serves as a valuable resource for understanding the potential and limitations of SPACs within the Indian legal framework.

12. **Devarsh Shah & Dharmvir Brahmbhatt**, *Tax Implications on SPAC: To SPAC or Not to SPAC?*, The CBCL Blog (June 8, 2021), https://cbcl.nliu.ac.in/taxation/tax-implications-on-spac-to-spac-or-not-to-spac/.

This article analyzes the tax implications for Indian companies considering listing through a Special Purpose Acquisition Company (SPAC). It discusses challenges such as capital gains tax, stamp duty, and the potential creation of a permanent establishment in India, which could lead to higher tax liabilities. The authors also compare SPAC listings with direct cross-border listings, highlighting the tax and compliance considerations associated with each route.

13. **Devarsh Shah**, *SPAC Listings in India: Regulatory Hurdles and the Way Forward*, IndiaCorpLaw (Mar. 23, 2021), https://indiacorplaw.in/2021/03/spac-listings-in-india-regulatory-hurdles-and-the-way-forward.html.

This article provides a comprehensive analysis of the regulatory challenges faced by Special Purpose Acquisition Companies (SPACs) in India. It examines the implications of the Companies Act, 2013, SEBI's ICDR Regulations, stamp duty considerations, and foreign exchange norms. The author also discusses the potential for SPAC listings within India's International Financial Services Centre (IFSC) at GIFT City and suggests regulatory reforms to facilitate SPAC operations in the Indian capital markets.

14. John Coates & Paul Munter, *Staff Statement on Accounting and Reporting Considerations for Warrants Issued by Special Purpose Acquisition Companies ("SPACs")*, U.S. Securities and Exchange Commission (Apr. 12, 2021),

In this statement, the SEC staff addressed the accounting treatment of warrants issued by SPACs. They highlighted that certain terms common in SPAC warrants might necessitate their classification as liabilities rather than equity. This guidance prompted many SPACs to reevaluate and, in some cases, restate their financial statements to reflect the warrants as liabilities measured at fair value, with changes recognized in earnings for each reporting period.

1.3. RESEARCH QUESTIONS

1. What are the primary differences between India's regulatory and financial system and those major global markets like US, UK, and Singapore and how these differences influence the adoption of SPAC related framework in India?
2. How can India's current corporate governance structure tackle challenges associated with SPAC?
3. What insight can India gain from global jurisdiction like US, UK and Singapore to strengthen its legal framework of SPAC and improve investors protection?

1.4. RESEARCH OBJECTIVES

1. To analyze the historical evolution of SPAC and understanding its key legal and regulatory milestones in US, UK, Singapore and India.
2. To compare the Corporate Governance framework across major economies and identifying the legal and regulatory gaps in India's SPAC related framework that may hinder future growth and investors' confidence.
3. To propose various legal reforms and strategies that will help in strengthening SPAC ecosystem in India ensuring alignment with global standards.

1.5. HYPOTHESIS

H1: The lack of comprehensive legal and regulatory structure hampers the growth and adoption of SPAC in India compared to US, UK and Singapore.

H2: Strengthening Corporate Governance Mechanism and easing regulatory oversight can positively impact the SPAC activity, investors sentiments and post-merger performance in India.

1.6. RESEARCH METHODOLOGY

This dissertation adopts doctrinal research methodology focusing on an in-depth analysis of legal principles, rules and statutes related to Special Purpose Acquisition Company (SPAC). This research depends on both primary and secondary legal research which help in deeply understanding the evolution, scope and limitation of SPAC in India. It also helps in analyzing the legal framework governing SPAC in India, US, UK and Singapore providing an effective comparative analysis of SPAC regulations. This comparative approach helps in understanding the key differences between various regulatory strategies, corporate governance structure and investor protection mechanism which help in development of SPAC culture in India.

For the purpose of analyzing the legal aspect involved with the instant matter, this research will make use of primary sources such as various domestic and international legislations like Companies Act 2013 of India, Securities Act of 1933 and Securities Exchange Act of 1934 of USA, Companies Act of 2006 of UK and others, with various others rules and guidelines which will help in examining and building a SPAC friendly framework in India focusing towards future growth and evolution of India's market and its investors.

Secondary sources include scholarly articles, research papers, legal commentaries and regulatory reports which will support primary legal study. By employing doctrinal research, this dissertation provides a systematic evaluation of legal and regulatory challenges affecting SPAC focusing on corporate governance dilemmas, transparency issues and post-merger accountability. This research further seeks to propose legal reforms which will help in strengthening India's SPAC framework, leveraging insight from international best legal practices.

1.7. CHAPTERIZATION

Chapter 1- Introduction

The introductory part gives a brief on the subject matter and provides for the research methodology of the project including statement of problem and literature review with proper research questions and objectives.

Chapter 2- Historical evolution of SPAC in India, US, UK and Singapore

This chapter deals with the historical evolution from 1980's in US moving forward to 1990's when first structured regulatory framework was established for SPAC till introduction of new regulatory standards for SPACs in Singapore in 2020's. It also deals with fragmented structure for SPAC in India.

Chapter 3- Comparative analysis of the legal provisions of SPAC in India, US, UK and Singapore

This chapter specifically deals with current statutes, legislations, rules and guidelines related to SPAC in countries like India, US, UK and Singapore. This chapter provide a deep knowledge about SPAC in legal point of view and establishes SPAC as a legal regulatory tool for raising capital from market. This chapter weighs pros and cons related to SPAC regulations and make a comparative analysis of the same.

Chapter 4- Impact of Corporate Governance on SPAC: Comparative study between India, US, UK and Singapore

In this chapter researcher made a deep study related to impact of corporate governance on SPAC dealing with active concerns like transparency, disclosure norms and board accountability and dealing with post-merger performance monitoring and investor or sponsor rights providing a comparative study between India, US, UK and Singapore. In US SPAC is driven by strong regulatory framework focusing on disclosure norms and post-merger accountability whereas rules and regulation lacks SPAC specific provisions raises questions about transparency. UK focuses on minority shareholders rights while Singapore is moving its SPAC regime in a hybrid model balancing flexibility with governance standards.

Chapter 5- Conclusion and Recommendations: A Prospective approach by India

It is the conclusive part of the project that tries to give an overview of the chapters discussed along with the suggestions given by the Researcher with respect to the usage of SPAC in India.

1.8. SCOPE OF THE STUDY

The researcher in this study aims to analyze the historical evolution of SPAC in US, UK, Singapore and India and provide a comparative study of legal statutes, legislations, rules and guidelines which helps in identifying the lacunas and provide with recommendations for building a SPAC related framework in India. The researcher also addresses the corporate governance dilemmas and helps to identify the challenges with SPAC and provide various recommendations which will be accomplished with

doctrinal research and any other issues related to SPAC has not been dealt with by the author.

CHAPTER-2

HISTORICAL EVOLUTION OF SPAC IN INDIA, US, UK AND SINGAPORE

2.1 INTRODUCTION:

The U.S. Securities and Exchange Commission (SEC) classifies Special Purpose Acquisition Companies (SPACs) as "penny stocks" or "microcap stocks," and they are frequently seen as speculative investments. Although these businesses were more well-known in the United States from 2003 to 2008, their roots go considerably further. They developed from blank check businesses in the 1980s, which were derived from blind pools in England during the South Sea Bubble of the 18th century. South Sea Company established in 1711 was granted a monopoly to trade in South America in exchange of accepting few national debts of UK. As a comparable investment structures appeared in the U.S. financial markets by the 1920s, the first forms of pooled investment trust in the United States, which played a key role in financial markets in an era of booming economic growth and surging stock markets referred to as the Roaring Twenties. The stock market boom led to a proliferation of investment trusts. In 1929 after the Great Depression, stock market crash revealed the weakness of these trusts. Their leverage and inter-trust investment led to cascading failures. The failure of these products followed more intense scrutiny. Led to landmark reforms such as the Securities Act of 1933.

When promoters used blank check firms to list penny stocks on the Over the Counter (OTC) Market in the 1980s and 1990s, they made a comeback. These companies attracted novice investors with promises of large returns since they frequently lacked regulatory control, had ambiguous business strategies, and were connected to illicit financial operations. Owing to extensive abuse, the U.S. government enacted stronger laws in 1990 with the Penny Stock Reform Act, which sought to increase investor protection and transparency. SPACs have developed into an important component of contemporary financial markets in spite of their contentious origins.

2.2 UNITED STATES OF AMERICA:

2.2.1. 1980- 1990

- **The Onnix Financial Fraud: A Case of Securities Manipulation**

One of the most notable instances of fraud in the 1980s penny stock market is Onnix Financial Group, Inc. (Onnix). Between 1984 and 1987, businessmen Michael Wright and Arnold "Charlie" Kimmes founded more than 70 blank check companies, including Onnix. In the company's first public offering (IPO), 1.25 million units—each consisting of 40 warrants and 10 shares of common stock—were sold for $0.20 each. At first, it seemed like a successful IPO when these units were sold to investors in the United States and six other nations.

But by 1986, federal regulators had begun to suspect Onnix due to anomalies in its stock transactions. As a result of the company's two-for-one stock split, which led to increase of 25 million outstanding shares and 100 million warrants. All existing warrants were mysteriously exercised in early 1987, and the resulting shares were sold in large quantities to one institutional investor, the Denver-based brokerage company Blinder, Robinson & Company. These shares were eventually resold to retail customers by Blinder and Robinson using Boiler room tactic. The fraudulent character of the scam was exposed by a later two-and-a-half-year SEC investigation that found Onnix's officials, directors, and stockholders were only nominees working on behalf of Kimmes and Wright.

Despite of lower no of dealers than the registered broker dealer complaint rose from 12,5%in 1988 to 22% in 1989. In 1989 North American Securities Administrators Association (NASAA) reported “penny stock swindles were ..... the No 1 threat of fraud and abuse facing small investors in the United States.” According to NASAA investors lose an estimate of $ 2 billion a year as a result of pervasive fraud caused by dishonest promoters involved in organized crimes initiating damage to small investors in United States Penny Stock market. According to the report “A penny stock investor is the stock markets equivalent of someone stumbling down a dark alley in a crime ridden inner city”. The report say about 70% of the penny stock in 1998 have been a blank check offering. As the penny stock are listed on “ pink sheets” formation like price of stocks are not publicly posted, there remained a greater opportunity for manipulation. Congress took a bold step on recommendation made by state regulators keeping in view the wellbeing of investors and accountability of such blank check companies. Blank check companies were either restricted or completed banned by 36 state. In order to combat misuse or fraud in the penny stock market

congress need to take action against such fraud. Reports recommend ban on "blank-check" offerings- business without a clear business plan or assets and provide with an award to whistle blowers in fraud cases.

Prior to regulations before 1990's penny stock was neither traded on national stock exchange. As it was not under the keen radar of SEC, fraud brokers used boiler room tact to make cold calls and sell penny stock in an over inflated price to earn commission which led unsuspecting buyers to be victim of the fraudulent scheme. So primarily salesperson used to create initial hype which makes the penny stock attractive but later when investors find no buyers, they realize the true nature of these blank check offerings to be worthless.

According to SEC's reported figures, almost 2700 blank check offering were made during 1987- 1990 but decrease in trend were seen in early 1990's which were generally less than 15.

2.2.2 CREATION OF SPAC 1990- 2000

In 1989 after the report of SEC and NASAA congress passed "Penny Stock Reform Act 1990 (PSRA). Congress ultimately did not ban blank check companies completely which use to misled investors, so instead they passed PSRA which necessitates automated quote system by changing sheet listing method; Goals of PSRA is to protect investors involved in penny stock trading and monitoring the usage of blank check firms with stricter regulations. Protecting neophyte public investors from informational disparities between insiders and shareholders was the prime objective of the securities act of 1933 and the Securities Exchange Act of 1934 and led to the creation of SEC. SPAC was founded as a consequence implemented for the same reason.[1]

In the 1990s, David Miller and David Nussbaum were instrumental in forming Special Purpose Acquisition Companies (SPACs)[2]. After working on THQ Inc.'s IPO (Blind pool), which at first succeeded because of the success of its Home Alone video game but eventually collapsed, Nussbaum developed an interest in blind-pool deals. He looked at methods to improve investor safeguards in these transactions as a result of this experience.

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[1] J.S. Kalisvaart & C.F.C. Sutherland, *A Brief History of the SPAC and the Development of Its Characteristics*, Tijdschrift voor Jaarrekeningenrecht, No. 3 (2022), https://www.gtlaw.com/en/insights/2022/1/published-articles/een-korte-geschiedenis-van-de-spac-en-de-ontwikkeling-van-haar-karakteristieken.

[2] *The Advocates League*, *Viability of Special Purpose Acquisition Companies (SPACs) in India: Demystifying SPACs for Investors and Indian Companies* (June 2021)

Nussbaum and Miller worked together to improve the blank-check company structure after the THQ deal. The first contemporary SPAC, Information Systems Acquisition Corp., was established in 1993 as a result of their efforts. After raising $12 million, it merged with a software company that HP Inc. eventually purchased. They first filed for a trademark on the term "SPAC," which led to the creation of additional investment vehicles with similar names, such as SPARC and TAC. They eventually let the phrase to be used more broadly, which resulted in the growth of SPACs.

SPACs briefly lost appeal during the late 1990s dot-com boom as regular IPOs gained traction. Miller and Nussbaum kept up their work on initial public offerings and other financial transactions. However, their early legislative initiatives—such as stronger transparency requirements and the opportunity to reimburse investors prior to a merger—became essential components of contemporary SPAC structures and are now universally acknowledged as important criteria for investor protections.

Information Systems Acquisition Corp., the first SPAC, was created as a Specified Purpose Acquisition Company in November 1992. At $6 a share when it went public in 1993, it was above the penny stock level but below the $10 requirement that later became common for SPACs. It traded over the counter (OTC) and, like other early SPACs, was not eligible for exchange listing.

When SPAC and Human Designed Systems combined on March 2, 1995, the former stockholders of the company received a 50.1% ownership. The stock of Human Designed Systems, however, had fallen to penny stock status by the late 1990s and had been selling at about $1 per share for a number of years. Later, it changed its name to Neoware Systems Inc., and in 2003, its stock price jumped to $21 a share.

2.2.3. 2000- 2010

David Nussbaum founded EarlyBird Capital in 2000 with David Miller which acted as a led underwriter and advisor of some first modern SPAC IPO. He was hired by Mr. Spector to start the first post-dot-com-bubble SPAC. The mid-2000s saw a brief revival of blank-check company popularity as the big stock exchanges started listing SPACs and high-profile investors like Nelson Peltz used them to buy companies. But the market was rattled once more by the 2008 financial crisis.

With 12 SPAC IPOs in 2004, SPAC activity was slowly on the increase by then. With 28 IPOs in 2005, 37 in 2006, and 65 in 2007, the trend was only gaining momentum.

SPACs increased from 5.2% of total IPOs in 2004 to 26.6% in 2007, commanding a significant share of the IPO market. Liberty Acquisition Holdings Corp. raised $1.035 billion in December 2007 in the largest SPAC initial public offering (IPO), one of the largest deals. Meanwhile, the largest SPAC deal was completed by Freedom transaction Holdings, Inc. in June 2007 when it purchased GLG Partners, a hedge fund with assets of more than $20 billion, for $3.4 billion.

Politicians, professional sports figures, and Wall Street financiers are some of the many founders of second-generation SPACs that have raised between $7.88 million and more than $1 billion.

2.2.4. 2010-2020

Investor returns for SPACs were extremely low for most decades. 2019 changed all that, however, when high-growth early-stage businesses started using SPAC acquisitions to go public. According to David Nussbaum and David Miller, a prime example was space tourism company Virgin Galactic Holdings Inc., which merged with a blank-check company Social Capital Hedosophia Holding Corporation in 2019 which became the first publicly traded commercial spaceflight company. SPAC raised approximately $ 600 million through IPO in 2017.

Another highly publicized SPAC deal was the Diamond Eagle Acquisition Corp. SPAC established by Hollywood producer Jeff Sagansky and financier Harry Sloan, and DraftKings Inc., a sportsbook startup that went public in a three-way merger with SBTech, a gambling technology firm. Investor returns through SPACs were relatively tame for several years. The trend turned around in 2019, though, when high-growth, early-stage firms started employing SPAC acquisitions to go public. David Nussbaum and David Miller write that among the top examples was space tourism firm Virgin Galactic Holdings Inc., which merged with a blank-check firm, a return to the early days of SPACs.

2.3 United Kingdom

2.3.1. 2000-2010

In the UK, usage of Special Purpose Acquisition Companies (SPACs) between 2000 and 2024 has been mixed. Following the 2008 financial crisis when investors were looking for new opportunities and sponsors were looking for alternative funding sources. In UK, AIM (Alternative Investment Market) was launched in 1995 as a

submarket of LSE which is designed to help small and growing companies to access capital from public and provide with a flexible, less stringent legal requirement for IPO. The UK did not see the same rise in SPACs as the U.S. or follow-on countries due to the regulatory framework at the time and lack of investor demand in such vehicles. Some companies did, however, take on similar strategies of raising capital via public listings with a view to future growth or acquisition, though not SPACs in the technical legal meaning. But by this point, there was less demand due to high-profile failures. SPAC framework came in UK after 2017 as blank check companies.

(i) AIRCOM PLC

First listed on the London Stock Exchange's Alternative Investment Market (AIM) in 2003, Aricom PLC was an iron ore mining business in Russia. The company purchased a 74% stake in Olekminsky Rudnik, which owned the development rights for the Kuranakh iron ore deposit, shortly after incorporation. The shareholding was sold by an associated company, Peter Hambro Mining. Aricom shifted from AIM to the London Stock Exchange's main market in 2007. It was fully acquired by its sister company, Peter Hambro Mining, in April 2009, two years hence. The acquisition effectively substituted Aricom in the FTSE 250 Index and coincided with Peter Hambro Mining's own transition to the LSE's main market.[3]

(ii) VELTIC PLC

Velti plc, a mobile marketing firm founded in 2001 and listed on the Alternative Investment Market (AIM) of the London Stock Exchange in 2006.[4] Following its IPO, Velti expanded rapidly into the U.S. market, establishing offices in New York and San Francisco. It was one of AIM's top-performing IPOs in 2007. In 2010, Velti acquired U.S.-based Mobclix to strengthen its presence in mobile advertising. But by 2013, the firm was in deep financial distress, writing off over $100 million in receivables and laying off employees.[5] These issues sent its stock price plummeting. Later in the year, Velti voluntarily delisted from NASDAQ due to failure to comply with listing standards and sold core assets to Blackstone. Its shares then moved to the OTC market.[6] While

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[3] Julie Crust, *Peter Hambro Moves to LSE Main Market*, Reuters (Apr. 22, 2009), https://www.reuters.com/article/world/peter-hambro-moves-to-lse-main-market-idUSLL237418/.
[4] Rafat Ali, *Velti To Raise $17 Million in IPO on AIM*, mocoNews (Apr. 10, 2006).
[5] Jim Edwards, *How Velti, One of the Largest Mobile Ad Companies on the Planet, Lost $130 Million*, **Business Insider** (Sept. 2, 2013), https://www.businessinsider.com/how-velti-one-of-the-largest-mobile-ad-companies-on-the-planet-lost-130-million-2013-9.
[6] OTC Markets, *Official Site of OTCQX, OTCQB and Pink Markets*, https://www.otcmarkets.com/ (last visited Apr. 17, 2025).

not a traditional SPAC, Velti's trajectory reflects the kind of high-risk, acquisition-driven strategies that some AIM-listed firms undertook during this period, offering insight into the early evolution of alternative financing structures in the UK.

During the early 2000s, the United Kingdom market witnessed the arrival of vehicles such as Special Purpose Acquisition Companies (SPACs), which were commonly referred to as "cash shells" or "investment vehicles."

These vehicles were formed with the sole intention of using public listings to mobilize funds for future acquisitions. One such and well-known example is Cash Shells listed on the Alternative Investment Market (AIM), which had structural and functional equivalences with SPACs.

These organizations had the intention of mobilizing funds through Initial Public Offerings (IPOs) with the intention of acquiring a company. During this decade, the formation of SPACs did not receive much encouragement from the UK regulatory environment or investor sentiment. In 2010, 89 companies mobilized £10.1 billion through IPOs on the London Stock Exchange, a sharp rise from £1.5 billion in 2009.[7]

This rise, however, was largely contributed by traditional IPOs and not SPACs. Limited activity was witnessed during this period due to the UK regulatory environment and investor interest, both of which were not very encouraging for the large-scale formation of SPACs.

2.3.2. 2010- 2016

(i) NBNK INVESTMENTS PLC

NBNK Investments, backed by the patronage of esteemed advisors and investors such as Aviva, Invesco, and F&C Asset Management, floated on the AIM of the London Stock Exchange in August 2010. The group included such well-known faces as Lord John McFall, Charles McCreevy, Sir David Walker, and Peter Levene.[8] The objective of the AIM listed company was to acquire branches and assets of banks making a UK based Retail banking chain.

The company tried three times to acquire banking assets in the UK, but each bid failed. Lacking sufficient acquisition targets, NBNK announced in June 2012 its intention to

[7] LSE listings up more than 500 per cent in 2010, *Econ. Times* (Dec. 26, 2010), https://economictimes.indiatimes.com/news/international/lse-listings-up-more-than-500-per-cent-in-2010/articleshow/7185446.cms.

[8] Julia Finch, John McFall Joins Consortium Aiming to Buy Northern Rock, *The Guardian* (July 11, 2010), https://www.theguardian.com/politics/2010/jul/11/mcfall-northern-rock-banking.

wind up the business and return around 40% of the capital to its shareholders. Some of the most notable management departures included McFall's and Walker's resignations, the latter subsequently becoming Chairman at Barclays.

W.L. Ross & Co. invested funds in NBNK during the second half of 2012, securing its listing and appointing Wilbur Ross as chairman in January 2013. Stephen Johnson took over from Ross when he quit in 2014 because of conflicting commitments. The company made a genuine effort to obtain acquisition deals in the banking industry, targeting institutions like Northern Rock and Lloyds Banking Group; however, it was unable to seal the deals. Following its Annual General Meeting in June 2016, the company voluntarily liquidated and returned the shareholders' money.

(ii) THE PEOPLE'S OPERATOR

In October 2014, The People's Operator (TPO)which is a mobile virtual network operator (MVNO) founded by Wikipedia creator Jimmy Wales, announced it was to float on the Alternative Investment Market (AIM) of the London Stock Exchange. The company planned to raise money to fund its expansion strategy, specifically in the UK and the U.S. Financial experts, such as Oscar Williams-Grut, valued the company at around £100 million on its first day of trading.[9] TPO floated on AIM in December 2014, as a socially responsible telecoms company. Its business model was unique in that it donated 10% of monthly bills of customers to charities of customers' choice, as well as 25% of company profits to wider social causes. [10]

Aiming at the socially responsible consumers, TPO tried to differentiate itself in a crowded market dominated by the large telecom companies. It concentrated on online outreach and social media interaction, leveraging Jimmy Wales's popularity and authority online. Although it had the initial momentum and managed to raise funds successfully, the company struggled to scale its customer base and financially in the saturated UK telecom industry. In 2015, TPO attempted to break into the U.S. market with a partnership with Sprint but failed to provide the returns anticipated. Continued financial losses and sluggish user growth resulted in a steady drop in share price. By 2019, the operations of the company had fallen so far that it suspended trading and was

[9] Oscar Williams-Grut, Wikipedia Founder Backs People's Operator Plans AIM Listing, *Evening Standard* (Oct. 13, 2014), https://www.standard.co.uk/business/business-news/wikipediabacked-peoples-operator-plans-aim-listing-9791021.html.
[10] The People's Operator: Causes, *The People's Operator* (archived Feb. 1, 2019), https://web.archive.org/web/20190201023056/https://www.thepeoplesoperator.com/causes.

officially delisted from AIM. Later in the year, TPO was acquired by Link SPACe LLC, an American firm, and its operations as an independent company ended. Although its socially oriented mission generated a great deal of publicity, TPO was ultimately unable to overcome the financial and strategic challenges inherent in the telecommunications industry.

2.3.3. 2017 ONWARDS

2017 saw a comeback, with 15 SPACs (Special purpose acquisition companies) listing on the LSE, raising just under £1.7 billion. Revelatory is the fact that 99.1% of UK SPACs' total capital that year was raised by the four largest SPAC IPOs: J2 Acquisition, Landscape Acquisition Holdings, Ocelot Partners and Wilmcote Holdings. These SPACs were not typical — they raised significant capital and came with experienced sponsors often from private equity or relevant industry executive positions. Raised funds were used to acquire target companies, which would then become publicly traded.

(i) J2 ACQUISITION LTD

A classic example of a UK-listed SPAC is that of J2 Acquisition Limited, established by seasoned American entrepreneurs James E. Lillie, Martin E. Franklin, and Ian G.H. Ashken. In 2017, J2 raised a gross amount of $1.25 billion in its IPO on the LSE by issuing ordinary shares and warrants at an issue price of $10.00 per ordinary share. The size was the largest SPAC fundraising exercise to date in London since 2011 and left J2 among the largest SPACs in the UK market at the time. The success of J2 reflected the growing demand in the UK for alternative investment structures, especially among seasoned management teams with proven historical track records of creating value.

(ii) LANDSCAPE ACQUISITION HOLDING LTD

Landscape Acquisition Holdings Ltd is a SPAC on the London Stock Exchange (LSE) and a British Virgin Islands registered company.

It was established by business associates of two seasoned business professionals—Michael Fascitelli, a former President and CEO of Vornado Realty Trust, and Noam Gottesman, a former Chairman of Man GLG. Their deep experience in real estate and investment planning influenced the purpose of the SPAC: taking over a business with noteworthy exposure to real estate or related industries.

The business raised $500 million gross proceeds following its initial public offering (IPO) on 20 November 2017. This included $484 million raised by the issue of ordinary shares at $10.00 per ordinary share, together with matching warrants, and a further $16 million by the issue of 1.6 million Founder Preferred Shares at $10.00 per Founder Preferred Share.[11] Warrants were also allotted to the founders of the Founder Preferred Shares on a one-for-one basis. On listing of the IPO, Landscape was admitted to trading with a standard listing on the main market of the LSE. But on 20 November 2019, the listing of the company was suspended, on the eve of announcing a significant acquisition. On 19 November 2019, Landscape signed a definitive agreement to acquire AP WIP Investment Holdings, LP (AP Wireless), a leading worldwide aggregator of wireless telecom infrastructure rental streams. The acquisition was valued at around $860 million, in a combination of cash, shares, and assumption of outstanding debt. The cash component was to amount to around $333 million.[12] The acquisition was a milestone for the SPAC, in line with its stated aim of acquiring asset-intensive companies in the real estate and infrastructure space. The completion of the acquisition was expected in early 2020.

This action proved how UK-listed SPACs, although smaller in number than their US counterparts, could make high-value acquisitions supported by seasoned management and investor funds.

(iii) OCELOT PARTNERS LIMITED

Ocelot Partners Limited and Wilmcote Holdings plc are two well-known Special Purpose Acquisition Companies (SPACs) that were established in the United Kingdom in 2017, each with unique strategic objectives and leadership frameworks.

Ocelot Partners Limited was incorporated with the aim of identifying and acquiring a target business with significant growth prospects, namely in the European technology sector. Ocelot successfully held its initial public offering (IPO) on the London Stock Exchange in March 2017, raising approximately $417.65 million from the issuance of

[11] The People's Operator PLC – Launch of Offer to Existing Shareholders, *Vox Markets* (May 5, 2017), https://www.voxmarkets.co.uk/rns/announcement/ed77deb8-7c4c-4f15-a36a-dd19c9416d7c/.
[12] Id.

ordinary shares at $10.00 per share.[13] The SPAC was sponsored by LionTree Partners, Andrew Barron, and Martin Franklin, all being persons with deep experience in investing in media and technology. [14]

Ocelot announced in March 2018 that it intended to acquire Ocean Outdoor, a leading high-end digital out-of-home advertising operator in the United Kingdom, from private equity firm Search light Capital. Completed later in the month, the transaction was worth £200 million.[15] Ocean Outdoor is distinctive for its digital full-motion screen network in key UK cities, including prime locations like the Piccadilly Lights in London and the BFI London IMAX. The acquisition was part of the vision of Ocelot to invest in fast-growing media assets and to leverage the management team's expertise to create value.

(iv) WILMCOTE HOLDING PLC

Wilmcote Holdings plc was established with the objective of acquiring and developing downstream and specialty chemicals businesses. Launched in March 2017 in association with Marwyn Value Investors, Wilmcote appointed Adrian Whitfield—previous CEO of Synthomer, a UK-listed specialty polymer business—as its Chief Executive Officer.[16] During Whitfield's tenure at Synthomer, the operating profits doubled over more than two times, and the company's market capitalization rose from around £300 million to over £800 million. In August 2017, Wilmcote Holdings issued £15 million by listing on the Alternative Investment Market (AIM) of the London Stock Exchange through the issue of 12.5 million ordinary shares at £1.20 per share.[17] The money was to be used to finance the identification and acquisition of a platform

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[13] **Ocelot Partners Limited Has Completed an IPO in the Amount of $417.65 Million, MarketScreener India (2017),** https://in.marketscreener.com/quote/stock/OCEAN-OUTDOOR-LIMITED-40834302/news/Ocelot-Partners-Limited-has-completed-an-IPO-in-the-amount-of-417-65-million-35171775/ *(last visited Apr. 21, 2025).*

[14] **Ocelot Raises $425M in London SPAC IPO for European Tech Acquisition, GlobalCapital**, https://www.globalcapital.com/article/28msrwf3i64sdcbknpc9p/equity/equity-ipos/ocelot-raises-425m-in-london-SPAC-ipo-for-european-tech-acquisition *(last visited Apr. 21, 2025).*

[15] **Ocean Outdoor Ltd., Annual Financial Report, Vox Mkts. (Apr. 26, 2018),** https://www.voxmarkets.co.uk/rns/announcement/fbe1f19a-8d7b-4afa-8ded-148434652e64/ *(last visited Apr. 21, 2025).*

[16] **Marwyn Value Investors, Marwyn Value Investors Launches Wilmcote Holdings,** Private Equity Wire (Mar. 22, 2017), https://www.privateequitywire.co.uk/marwyn-value-investors-launches-wilmcote-holdings/ *(last visited Apr. 21, 2025).*

[17] **Wilmcote Holdings plc, Wilmcote Holdings plc has filed an IPO in the amount of £15 million,** MarketScreener (Aug. 3, 2017), https://www.marketscreener.com/quote/stock/450-PLC-117540334/news/Wilmcote-Holdings-plc-has-filed-an-IPO-in-the-amount-of-15-million-35009691/ *(last visited Apr. 21, 2025).*

company within the target industry, with enterprise values ranging between £500 million and £2 billion. Though it pursued several opportunities, including talks to acquire Arysta LifeScience, Wilmcote did not execute a transaction during the reported period and kept looking for a right acquisition candidate.

2.4 SINGAPORE

The Singapore Exchange (SGX) had also considered SPAC listings in January 2010. A SPAC was a blank shell company with no prior operating history that issues capital in an initial public offering (IPO) to seek future unspecified business combinations. The proposed requirements were a minimum market capitalization of S$150 million and the requirement that at least 90% of IPO proceeds be placed into escrow to shield the investors.[18] These proposals were shelved considering market response on grounds of investor protection and speculation issues regarding SPACs at that time.

The global revival of SPACs, particularly in the United States, revived interest in Singapore. The ability to enhance its capital markets encouraged SGX to introduce an extensive SPAC listing framework on 3 September 2021, the first major Asian bourse to do so.

2.4.1. 2021 ONWARDS

(i) VERTEX TECHNOLOGY ACQUISITION CORP

The listing of Vertex Technology Acquisition Corp (VTAC) in Singapore was a milestone as the first SPAC to list on the Singapore Exchange (SGX), and the first significant SPAC launch in Asia since the U.S. SPAC boom of early 2021. Backed by Vertex Venture, a Temasek Holdings subsidiary with over $5.1 billion in assets under management, VTAC raised S$200 million, with 55% coming from 13 cornerstone investors such as Temasek-linked entities and Dymon Asia. The SPAC will target high-growth technology companies, especially in fintech and cybersecurity, within a two-year timeframe. Vertex CEO Chua Kee Lock remarked on the trailblazer quality of the listing, piloting an untested regulatory terrain.

He highlighted the potential for the SPAC to draw in technology companies that would not otherwise look at Singapore for a listing, particularly with robust sponsors taking

18 **Ayman Falak Medina, Singapore Exchange Becomes the First Major Bourse in Asia to Allow SPAC Listings,** ASEAN Briefing (Sept. 3, 2021), https://www.aseanbriefing.com/news/singapore-exchange-becomes-the-first-major-bourse-in-asia-to-allow-spac-listings/ *(last visited Apr. 15, 2025).*

on some of the risk. Vertex Technology Acquisition Corporation (VTAC) completed the first and only successful de-SPAC transaction to date. VTAC merged with 17LIVE, a top live-streaming platform in Japan and Taiwan, which culminated in 17LIVE's listing on the Singapore Exchange (SGX) on December 8, 2023.[19] This milestone did not only mark Singapore's first-ever de-SPAC but also see the first live-streaming company listed on the SGX. Nonetheless, the post-merger performance of 17LIVE has been unimpressive. After the business combination, 17LIVE's share price suffered a significant drop, closing at $1.55 on December 20, 2023, down 65.78% from VTAC's initial public offering price of $5.[20]

(ii) PEGASUS ASIA

Pegasus Asia is the first SPAC to be listed on the Singapore Exchange (SGX), launching officially on 21 January 2022. The SPAC raised S$170 million [21] (approximately USD 125 million) in its initial public offering, marking a significant milestone in Singapore's campaign to become a regional hub of SPAC activity. Pegasus Asia is sponsored by a group of prominent international investors, including French asset manager Tikehau Capital and groups led by Bernard Arnault, chairman of LVMH. Other investors are Reinvent Capital Partners and FinTech Investment Group, all with extensive capital markets and business operating experience.

The SPAC seeks to find and take over a technology-enabled, high-growth Asia-Pacific business, especially in the digital economy, consumer technology, and financial services sectors. It envisions to give a high-potential private business a quick route to public listing with the support of experienced investors having capital and operating expertise.

Pegasus Asia's listing was under SGX's new SPAC regulatory regime, which aims to achieve listing flexibility and investor protection. The regulations mandate SPAC sponsors to use their own capital and demand shareholder approval for any acquisition,

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[19] **17LIVE Group Limited, Singapore's First De-SPAC Acquisition Debuts on the Mainboard of the Singapore Exchange Securities Trading Limited (SGX),** 17LIVE (Dec. 8, 2023), https://about.17.live/pressrelease/17live-group-limited-singapores-first-de-spac-acquisition-debuts-on-the-mainboard-of-the-singapore-exchange-securities-trading-limited-sgx/ *(last visited Apr. 21, 2025).*

[20] **SGX-Listed SPAC Pegasus Asia Will Not Conclude Business Combination to Dissolve**, The Straits Times (Dec. 2023), https://www.straitstimes.com/business/sgx-listed-spac-pegasus-asia-will-not-conclude-business-combination-to-dissolve.

[21] Kang Wan Chern, *Despite Dissolving of Pegasus Asia, SPAC Framework Is Here to Stay: SGX*, The Straits Times (Dec. 20, 2023), https://www.straitstimes.com/business/sgx-listed-spac-pegasus-asia-will-not-conclude-business-combination-to-dissolve.

aligning sponsors and public investors. The success of Pegasus Asia's IPO, which was one of the first three SPACs to list in Singapore, confirmed the market's desire for new investment vehicles, particularly in the aftermath of Southeast Asia's emerging technology ecosystem. The launch also demonstrated the potential of SPACs to close the gap between capital markets and high-growth start-ups in the region.

(iii) NOVO TELLUS ALPHA ACQUISITION

Novo Tellus Alpha Acquisition (NTAA) was one of the first SPACs to list on the Singapore Exchange (SGX) under its 2021 SPAC regime. Sponsored by Singapore-headquartered private equity player Novo Tellus Capital Partners, which focuses on technology and industrial sectors, NTAA listed on 27 January 2022, following listings by Vertex Technology Acquisition Corp and Pegasus Asia.

NTAA issued S$150 million through its IPO, each of its units at S$5.00 and drawing a strong investor base made up of institutions associated with Temasek Holdings.[22] Its goal was to buy growth businesses in the technology, industrial, and manufacturing innovation business in Southeast Asia using its sponsor's investing and operating experience.

NTAA differentiated itself with its strategic vision and seasoned sponsor, as a platform to develop successful regional businesses into public market leaders. Consistent with SGX's investor protection rules, it had a two-year time frame within which to finalize a merger, 90% of IPO proceeds in escrow, and shareholder approval needed for acquisitions.

While NTAA initially sparked hope for SPACs in Singapore, it has yet to complete a merger in the face of broader market challenges. Nonetheless, its listing is a testament to Singapore's vision to be a leading SPAC hub in Asia, bridging private growth companies with public capital through reliable sponsors.

2.5. EVOLUTION OF SPAC TRANSACTION IN INDIA

SPAC a transformative vehicle specifically used for identifying a private target, making it go public without taking the traditional method in which the USA has a long lasting

[22] Listing of Novo Tellus Alpha Acquisition, Singapore Exchange (Jan. 27, 2022), https://www.sgx.com/listing-ceremony/novotellus.

history, with the UK and Singapore still in an evolving stage. India has witnessed various notable SPAC transactions primarily through overseas listing and cross-border transactions. Examples like the merger of Videocon d2h [23] with Silver Eagle Acquisition Corporation, ReNew Power merger with RMG Acquisition Corporation II and other allowed Indian companies gain access to foreign capital market, particularly the USA, exploring the SPAC route before entering into its complexities.

Arena of Indian regulatory framework including Securities and Exchange Board of India (SEBI) and Companies Act, 2013 did not formalise the introduction of SPAC within the domestic capital market. Although there are various restrictions, Indian Policymakers and market investors are spiralling up by acknowledging SPAC as a potential capital raising tool specifically for startups and high growth sectors like energy and technology.

2.5.1. 2010-2020

(i) VIDEOCON D2H MERGE WITH SILVER EAGLE ACQUISITION CORP.

In December 2014 a significant Indian Direct-to-home television service, Videocon d2h Limited agreed to combine with Silver Eagle Acquisition Corp which is a US based SPAC founded by Harry Sloan and Jeff Sagansky became a first Indian pay TV operator to be listed on US stock exchange. The deal signed on December 2014 and was made public in 2015 where silver eagle has agreed to invest $ 300 million to $ 375 million for acquiring a 33.5% stake to 38.6% stake of Videocon depending on number of shareholders who agree to redeem shares.[24]

Purpose of this acquisition was to find a fast growing media company to take part in digital revolution in that period of time. Ultimately Silver Eagle contributed approximately $273.3 million to Videocon in favour of Videocon getting represented by American Depository Shares (ADSs),and finally ADS of Videocon d2h was listed on NASDAQ commencing from April 2015 under the ticket symbol "VDTH".[25] Silver Eagle closed its business from that date getting merged with Videocon.

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[23] The Advocates League, supra note 2.

[24] George Winslow, Silver Eagle Takes Stake in India's Videocon D2h, Multichannel News (2015), https://www.nexttv.com/news/silver-eagle-takes-stake-indias-videocon-d2h-386652 (last visited Apr 15, 2025).

[25] Silver Eagle Acquisition Corp, Silver Eagle Acquisition Corp. Announces Closing of Business Combination with Videocon D2h Limited, https://www.prnewswire.com/news-releases/silver-eagle-acquisition-corp-announces-closing-of-business-combination-with-videocon-d2h-limited-300058730.html (last visited Apr 15, 2025).

Transaction was marked as a strategic initiative, raising capital for increasing market capacity and bettering quality of product and service with building it's brand throughout the world.[26]

(ii) YATRA ONLINE MERGE WITH TERRAPIN 3 ACQUISITION CORP.

Make My Trip was the first Indian online travel company to go public through a traditional IPO in the NASDAQ stock exchange in AUGUST 2010. Make My Trip flipped outside India by incorporating a holding company in the name of MakemyTrip Limited, Mauritius.[27] It was a popular method of listing outside India by which on the first day's performance, share surge has been seen by 75% and closing at $ 26.45 making the best gain in the first day in three years.[28]

Untill in 2016 Yatra Online[29] went through listing in NASDAQ as "YTRA" through a SPAC merger with Terrapin 3 Acquisition Corp.The transaction valued Yatra at $ 218 million[30] by raising capital over $92.5 million from global investors.[31] Post merger Yatra shareholders retained atleast 35% ownership in combined entity and Dhruv Shringi(Yatra co founder and CEO) continued to led the company.[32]

After combination Board of directors included one member of TRTL give a fine blend of continuity, fresh perspective and operational consistency. The capital raised marked as a symbol for enhancing mobile technology, expansion of network and increase overall growth.

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[26] Videocon D2H raises $325 million, listing on Nasdaq, The Economic Times, Apr. 1, 2015, https://economictimes.indiatimes.com/industry/media/entertainment/media/videocon-d2h-raises-325-million-listing-on-nasdaq/articleshow/46759538.cms (last visited Apr 15, 2025)

[27] Pavithra R., *Special Purpose Acquisition Companies in India: Addressing the Tax Reality Behind the Façade*, (Aug. 2023).

[28] Lee Spears, *MakeMyTrip Selling First U.S. IPO by Indian Company in 4 Years at Premium*, Bloomberg (Aug. 11, 2010), https://www.bloomberg.com/news/articles/2010-08-11/makemytrip-selling-first-u-s-ipo-by-indian-company-in-4-years-at-premium.

[29] The Advocates League, supra note 1.

[30] Deepti Chaudhary, *Yatra to List on Nasdaq After Reverse Merger with Terrapin 3 Acquisition*, Forbes India (July 14, 2016), https://www.forbesindia.com/article/special/yatra-to-list-on-nasdaq-after-reverse-merger-with-terrapin-3-acquisition/43787/1 (last visited Apr. 15, 2025).

[31] Yatra Online, Inc., Yatra Online, Inc. Completes Transaction with Terrapin 3 Acquisition Corporation, Yatra (Dec. 19, 2016), https://investors.yatra.com/press-releases/press-release-details/2016/Yatra-Online-Inc-completes-transaction-with-Terrapin-3-Acquisition-Corporation/default.aspx

[32] Payal Ganguly, *Yatra to Merge with NASDAQ-Listed Terrapin 3 Acquisition Corp, Valuing Co at $218 Million*, The Economic Times (July 14, 2016), https://economictimes.indiatimes.com/small-biz/money/yatra-to-merge-with-nasdaq-listed-terrapin-3-acquisition-corp-valuing-co-at-218-million/articleshow/53202299.cms (last visited Apr. 15, 2025).

(iii). MEDALL MERGE WITH CONSTELLATION ALPHA CAPITAL CORPORATION

Constellation Alpha Capital Corporation, a US based SPAC played a indespensable role in acquiring one of the India's largest Integrated Pathology and Radiology company, Medall Healthcare Private Limited with a valuation of INR 14.5 billion(approx US $ 212 million) in 2017.[33] Since the establishment of the Medall it made a tremendous growth of 10% annual rate of EBITDA from 2013 to 2018. Medall has completed 24 acquisition since it's inception rising to top 5 Indian diagnostic companies by revenue.[34]

On the other hand SPAC formed by Mr Rajiv Sarman Shukla raised $ 143.75 million in its IPO in 2017.[35] After acquisition of Medall by Constellation it will be renamed as Constellation Healthcare Corporation and trade in NASDAQ under symbol "COHC". 93 % of outstanding shares of Medall was planned to be acquired by Constellation Alpha by 2019, which will be funded through a combination of cash held in trust and debt.[36]

Ultimately the acquisition was unsuccessful due to unmet closing conditions and after the failure Medall entered discussion with other potential investors including Fosun International Group of China.[37]

2.5.2. 2021 ONWARDS

(iv). MERGER OF RENEW POWER PRIVATE LIMITED WITH RMG ACQUISITION CORPORATION II.

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[33] Constellation Alpha Capital Corp., *Constellation Alpha Capital Corp. to Acquire Medall Healthcare Private Limited, One of India's Largest Integrated Pathology and Radiology Companies*, Biospace (Aug. 2, 2018), https://www.biospace.com/constellation-alpha-capital-corp-to-acquire-medall-healthcare-private-limited-one-of-indias-largest-integrated-pathology-and-radiology-companies.

[34] Id. at 41.

[35] Swaraj Singh Dhanjal, *Constellation Alpha Capital Acquires Diagnostic Chain Medall for $212 Million*, *Mint* (Sept. 10, 2018), https://www.livemint.com/Companies/rBrPJmcCWhd6plF67PodvM/Constellation-Alpha-Capital-acquires-diagnostic-chain-Medall.html.

[36] Mohit Bhalla, *China's Fosun International Group in Talks to Acquire Medall Healthcare*, The Economic Times (May 1, 2019), https://economictimes.indiatimes.com/industry/healthcare/biotech/healthcare/chinas-fosun-international-group-in-talks-to-acquire-medall-healthcare/articleshow/69122593.cms (last visited Apr. 15, 2025).
Kristi Marvin, *News Alert: Constellation Alpha Capital Corp. to Acquire Medall Healthcare Private Limited*, SPACINSIDER (2018), https://old.spacinsider.com/2018/08/03/constellation-alpha-announces-acquisition-medall/ (last visited Apr 15, 2025).

[37] Bhalla, *Fosun International Group*, The Economic Times (2019).

ReNew Power Private Limited, a revolutionised leading renewable energy company getting into a business combination with RMG Acquisition Corporation II, listed on NASDAQ under new symbol "RNW" with a consolidated and diluted market capitalisation of approximately $ 4.4 billion and estimated cash proceeds of $ 1.2 billion, comprising of $ 855 million from PIPE and approximately $ 345 million in trust by RMG II[38]. Proceeds will be used to increase renewable power generation capacity and to reduce debt. the strategic merger attracted keen interest from global PIPE investors providing a major support from entities like BlackRock, BNP Paribas Energy Transition Fund, Chamath Palihapitiya, Sylebra Capital, TT International Asset Management, TT Environmental Solution Fund and Zimmer Partners reflecting a strong investors confidence in India's renewable energy sector.

RMG is sponsored and led by Jim Carpenter, Bob Mancini and Phil Kassin who has a 100 years of combined principle investments with being a CEO and Public Company board lever expertise and experience.Post merger RMG II became wholly owned subsidy of ReNew Energy Global PLC and Sumant Singh founder of ReNew Power continued to led the company As Chairman and CEO of ReNew Energy Global PLC.[39]

2.6. CONCLUSION:

The development of SPACs in the US, UK, Singapore, and India is an indication of increasing international interest in other listing arrangements. The US was the first country to develop the SPAC model and still has the most developed market with decades of refinement and a dramatic spike in activity in 2020–2021. In reaction to international trends, the UK updated its rules in 2021 to make SPACs more appealing, removing trading suspensions on mergers and enhancing investor safeguards. Likewise, Singapore launched a SPAC regime in 2021 to make itself a competitive SPAC hub in Asia, with an emphasis on governance and financial requirements.

India, though comparatively recent to the SPAC universe, has built a bespoke regulatory infrastructure through the International Financial Services Centres Authority

[38] Renew Raises $400 Million Through Issuance of Green Bonds, Sees Strong Demand from Global Investors, The Globe and Mail (Apr. 15, 2025), https://www.theglobeandmail.com/investing/markets/stocks/RNWWW/pressreleases/16162944/renew-raises-400-million-through-issuance-of-green-bonds-sees-strong-demand-from-global-investors/.

[39] RMG Acquisition Corporation II Announces Stockholder Approval of Business Combination with ReNew Power, Business Wire (Aug. 16, 2021), https://www.businesswire.com/news/home/20210816005666/en/RMG-Acquisition-Corporation-II-Announces-Stockholder-Approval-of-Business-Combination-with-ReNew-Power.

(IFSCA) for listing SPACs in GIFT City.[40] It focuses on transparency, sponsor liability, and protection of investors. Though SPAC activity in India is still developing, the regulatory foundation provides solid support for sustained growth.

In conclusion, the global SPAC landscape is changing with localized regulatory innovations that seek to balance market access and investor protection. As jurisdictions learn from earlier cycles, the future of SPACs rests on responsible governance, strong disclosure, and long-term value creation.

[40] The Advocates League, supra note 1.

CHAPTER 3

COMPARATIVE ANALYSIS OF THE LEGAL PROVISIONS OF SPAC IN INDIA, US, UK AND SINGAPORE

3.1. INTRODUCTION

Special Purpose Acquisition Companies (SPACs) have become a vibrant alternative to conventional initial public offerings (IPOs), especially in enabling access to public markets for high-growth businesses. Across the world, jurisdictions like the United States, United Kingdom, and Singapore have implemented unique regulatory regimes to oversee SPACs, striking a balance between innovation and investor protection. The US, where SPACs initially came to the fore, has built a mature and extensive SPAC market regulated by the SEC, providing flexibility but also under scrutiny regarding sponsor incentives and disclosure shortfalls. Conversely, the UK Financial Conduct Authority (FCA) brought in SPAC reforms in 2021 to promote investor protection and market competitiveness. Singapore, under the Singapore Exchange (SGX), established an equilibrated model with sponsor responsibility, standards of valuation, and listing limits.

India, on its part, remains in the infant stage of having a SPAC ecosystem. The International Financial Services Centres Authority (IFSCA) may have brought regulations specific to SPACs at GIFT City, but the Indian stock exchanges regulated by SEBI do not yet have definitive provisions. Based on this comparison, the paper assesses legal provisions in the four jurisdictions highlighting regulatory style differences, governance practices, and business requirements to postulate a trajectory for India's holistic regulation of SPACs.

A. QUICK GLANCE AT SPAC PROCEDURE.

- **Formation of SPAC**

  A group of sponsors (typically seasoned investors or experts) establish a SPAC with the exclusive intent of acquiring a private firm. They establish a registration statement and organize a board of directors. Sponsors invest a minor amount to meet early operating costs.

  The sponsor is instrumental in the SPAC process, basically serving as the founder and mover of the entire operation. Starting with organizing the SPAC, recruiting legal, financial, and advisory staff, raising money, to

finding a viable target firm to merge with, everything is done by sponsors. They usually spend their own money to bear pre-merger costs and have a huge level of control over the direction of the SPAC. In exchange, sponsors are paid in "founder shares," a large equity interest at a minimal price, sometimes as much as 20% of the merged company post-IPO. These shares, however, would be worthless if the merger is not consummated. This provides a financial incentive for sponsors to finish a deal on time.

Although this system incentives action, it also brings the risk that sponsors will rush to complete bad-quality mergers just to gain their returns. They have a significantly lower break-even point than common investors, and so they can make a profit even when public shareholders lose. This possible conflict of interest highlights the importance of robust transparency, independent monitoring, and governance structures to prevent sponsors from focusing solely on getting the deal done and prioritize instead long-term success and shareholder value.[41]

❖ **Initial Public Offering (IPO)**

The SPAC raises capital which is usually between $200 million and $750 million—from public investors via an IPO. The funds are deposited in a trust account to be utilized solely for the future acquisition. Underwriters are paid a share of the funds raised as fees. [42]

❖ **Listing and Trading Period**

Following the IPO, the SPAC is listed on a stock exchange (e.g., NYSE or NASDAQ, SGX), and its units (shares + warrants) start trading. Sponsors then start looking for potential acquisition targets. The SPAC usually has up to 24 months (sometimes extendable) to close a deal. [43]

Capital Structure:

- **PUBLIC UNITS:** The capital structure of a SPAC (Special Purpose Acquisition Company) is designed such that it is balanced between

[41] CFA Institute, *The New Age of Special Purpose Acquisition Companies: What Investors Should Know* (May 2022), https://www.cfainstitute.org/sites/default/files/-/media/documents/article/position-paper/cfa-spac-investors.pdf

[42] Jake Frankenfield, *Special Purpose Acquisition Company (SPAC)*, Investopedia, https://www.investopedia.com/terms/s/spac.asp (last visited Apr. 21, 2025).

[43] Frankenfield, *supra* note 42.

investor protection and incentives for sponsors. When a SPAC issues in the public, it offers so-called "units" to the public at a typical price of $10 per unit. Every unit usually consists of one common share of stock and a warrant or a fraction of one, which entitles investors to purchase additional shares at some predetermined price later on which is usually such as $11.50. This configuration is intended to entice investors not only with the security of recovering their $10 if they are not satisfied with the merger agreement, but also with the upside potential via the warrants in the event that the combined entity fares well. Once the IPO is completed, the funds collected from investors are put into a trust account and stored securely in short-term government bonds, which can be returned to investors if the SPAC fails to effectuate a merger. [44]

- **SPONSOR SHARES:** Conversely, the sponsors who typically are the authors and handlers of the SPAC typically invest a minimal amount initially to be given "founder shares." The founder shares constitute approximately 20% of the firm's equity following the IPO but are purchased at a trivial cost. Sponsors do not draw a salary but only stand to gain financially if there is a successful merger. If no merger occurs within the SPAC's typical two-year period, those shares are worthless, which encourages sponsors to close a deal. This does, though, present a possible conflict of interest—they may insist on a merger even if it's not in the public shareholders' best interest. [45]

- **WARRANTS:** Warrants are the other important element of the setup. They permit investors to purchase shares in the future at a specified price, and whereas public investors must pay cash to exercise them, sponsors tend to get more generous terms, such as "net settlement" where they receive additional shares rather than cash. This blend of cash protection, future upside, and structured incentives makes SPACs an attractive but complicated vehicle for going public. It's a system that functions

[44] CFI Team, *Special Purpose Acquisition Company (SPAC) – How It Works*, Corporate Finance Institute, https://corporatefinanceinstitute.com/resources/management/special-purpose-acquisition-company-spac/ (last visited Apr. 21, 2025).
[45] Id.

optimally when closely watched and openly operated to facilitate that all concerned, particularly retail investors be dealt with evenly.[46]

- **Target Identification and Due Diligence**

  Sponsors look for a target private company to purchase. After they identify a viable target, they initiate due diligence, such as examining financials, business, and market opportunities. [47]

- **Merger Announcement**

  The de-SPAC process starts when a SPAC publicly discloses that it has entered into a preliminary merger agreement with a target company. This is usually the most volatile and active time in the life of the SPAC. Although the merger is not yet finalized, investors begin trading SPAC shares as if they are the private target company. At this point, information regarding the target is minimal, complete regulatory filings and disclosures have not been made yet. To fill in the gap, SPACs publish investor presentations that present the target company's business model, market opportunity, and anticipated financials. These decks are meant to build interest and backing before the actual shareholder vote. The formal proxy filings and merger registration statement that are normally information-rich are filed later. One interesting thing about SPACs is that these initial communications tend to contain forward-looking statements, which are typically limited in conventional IPOs. Share prices at this stage can be a proxy for investor sentiment, capturing the market's perception of the target. Yet, prices can become volatile, increasing on merger rumors and falling ahead of close. This is a critical phase, since it determines the direction of investor participation, redemption choices, and finally, whether the merger will be sanctioned and successful. Upon agreement, the SPAC makes the merger announcement public, making target company information, financial forecasts, and structure of the deal public.

- **PIPE Financing (if necessary)**

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[46] CFI Team, *supra* note 44.
[47] Frankenfield, *supra* note 42.

In order to fund the merger or to raise deal size, the SPAC can raise more funds through PIPE (Private Investment in Public Equity) from institutional investors. Redemptions is when shareholders redeem their cash prior to when a merger may put a SPAC transaction in jeopardy, particularly if the total redeemed falls below the threshold amount of cash that is required in order to finalize the deal. In order to avoid this, SPAC sponsors usually pursue secondary sources of funds. One fix is obtaining PIPE investments, institutional money that comes from private investors. Contrary to SPAC IPO funds, PIPE capital isn't redeemable and is tied in to be able to aid the transaction, providing both cash flow stability as well as confidence in the excellence of the merger.

Non-redemption agreements fall into another approach, whereby the significant investors lock their shares into the SPAC until the conclusion of the merger. There is also the forward purchase deal, where investors agree (quite often conditionally) to purchase SPAC stock prior to the merger if the transaction appears likely. These provisions ensure sufficient cash is on hand to meet terms of the merger, preserve investor confidence, and increase the probability of effecting the business combination. In recent years, as redemption levels have risen and PIPE financing has grown increasingly difficult to obtain, these safety nets have been more essential than ever to provide deal success and preserve momentum toward the merger.

- **Regulatory Filing**

  The SPAC makes a proxy statement, presenting the terms of the merger, valuation, target background, and financial disclosures for shareholder consideration. [48]

- **Shareholder Vote and Redemption Option**

  SPAC shareholders vote to approve or reject the deal. Redemption Rights One of the biggest advantages for investors in the SPAC process is the right to redeem shares. After a proposed merger is announced and approved, shareholders who prefer not to continue with the deal can return their shares

[48] Frankenfield, *supra* note 42.

and receive back their portion of the funds held in the SPAC's trust account, usually the initial $10 per share plus interest. This redemption right acts as a strong safety net for investors, something not available in traditional IPOs. The funds in the trust are fully secured because the sponsors cover operational and setup costs separately. These funds are typically invested in low-risk government securities until needed. Because of this structure, shareholders face minimal downside risk. Additionally, even if they redeem their shares, they still retain their warrants, which gives them potential upside if the new company performs well post-merger. This balance of protection and potential gain makes SPACs especially attractive to risk-averse investors and institutional players, as it lets them secure their capital while still participating in future growth. It also incentivizes early investment in the SPAC, as those initial investors can later redeem but still benefit from the warrants' value if the merged entity is successful.[49]

- **De-SPAC Transaction (Merger Completion)**

  If approved, the target company and the SPAC finalize the merger. The private company goes public with a new ticker, while the SPAC is wound up.

- **Post-Merger Operations**

  The merged company is a regular publicly traded entity, following stock exchange rules. Sponsors may retain a presence on the board or strategic advisory. When the merger is finished, the SPAC formally becomes a normal public company with an actual business. The private target becomes the public company, gets a new name and ticker symbol, and starts operating under full regulatory requirements. These include financial reporting, internal controls, and transparency requirements, just like any other public company. The money remaining in the SPAC trust, as well as any PIPE capital, is now applied to finance the operations and expansion of the new firm.

  Ownership also shifts. The previous owners of the target business usually own shares in the new company and become majority owners. SPAC

[49] CFA Institute, *supra* note 41.

shareholders who did not redeem are now part-owners of the operating business. In the meantime, sponsor shares,[50] once non-tradable Class B shares, become standard Class A shares, but sponsors typically have a lock-up period, so they cannot sell their shares instantly. Sponsors and early investors normally face a 6–12 month lockup period when they can't sell their shares, aligning their interest with long-term firm performance. PIPE investors typically have no lock-up but can only sell after the company has registered their shares. This is the stage most critical, as it will show whether the deal was an overall long-term success. The new company is currently assessed by the market on how it performs, its transparency and its capacity to meet its commitment, thus, leading the investor confidence in the future.[51]

3.2. REGULATIONS OF SINGAPORE

Singapore Exchange (SGX) announced new rules that enable Special Purpose Acquisition Companies (SPACs) to list on its Mainboard effective 3 September 2021.[52]

"SGX's SPAC framework will give companies an alternative capital fund raising route with greater certainty on price and execution. We want the SPAC process to result in good target companies listed on SGX, providing investors with more choice and opportunities. To achieve this, you can expect us to focus on the sponsors' quality and track record. We have also introduced requirements that increase sponsors' skin in the game and their alignment with shareholders' interest," said Tan Boon Gin, CEO of Singapore Exchange Regulation (SGX RegCo).[53]

An SGX listing under the SPAC framework must have the following key features:

1. Minimum market capitalisation of S$150 million.[54] [55]

[50] J.S. Kalisvaart & C.F.C. Sutherland, supra 1.
[51] CFA Institute, *supra* note 41.
[52] Singapore Exchange, *SGX Introduces SPAC Listing Framework* (Sept. 2, 2021), https://www.sgxgroup.com/media-centre/20210902-sgx-introduces-spac-listing-framework.
[53] SGX, *supra* note 52.
[54] SGX, *supra* note 52.

[55] Singapore Exchange, *Proposed Rule Amendments 30 August 2021*, at 3 (Aug. 30, 2021), https://rulebook.sgx.com/sites/default/files/net_file_store/Proposed_Rule_Amendments_300821_(TR).pdf

2. Rule 210 (11) (c) Shareholding Spread- At least 25% of its total number of issued shares excluding treasury shares must be held by at least 300 public shareholders.[56]
3. RULE 210(11) (d) Issue Price - The issue price of the securities offered for subscription or sale, for which a listing is sought, must be at least S$5 each. Securities may consist of a share and warrant[57]
4. Rule 210 (11) (f) The extent of the aggregate equity interests in the issuer acquired by the founding shareholders, management team, and their associates at nominal or no consideration is generally permitted up to 20% of the issued share capital of the issuer (on a fully diluted basis) immediately following closing of the IPO.[58]
5. Rule 210 (11) (m)[59] De-SPAC must take place within 24 months (about 2 years) of IPO with an extension of up to 12 months subject to fulfilment of prescribed conditions.[60]

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[56] SGX, *supra* note 55.

[57] SGX, *supra* note 55.

[58] SGX, *supra* note 55.

[59] The issuer must complete a business combination within 24 months from the date of listing. Where the issuer has entered into a legally binding agreement for a business combination before the end of the 24-months period, the issuer shall have up to not more than 12 months from the relevant deadline to complete the business combination, subject to an overall maximum time frame of 36 months from the date of listing, and provided that: (A) such an extension is permitted by and in accordance with all relevant laws and regulations governing the issuer in its place of constitution; (B) the Exchange is notified of such an extension in a timely manner; (C) the extension is announced via SGXNET by the issuer in a timely manner;
(ii) Other than the extension circumstance specified in Rule 210(11)(m)(i), the issuer must (A) apply to the Exchange for an extension of time to complete the business combination; and (B) specifically obtain the approval of a majority of at least 75% of the votes cast by shareholders at a general meeting to be convened. The issuer must justify a compelling reason for the extension of time and any application for extension of time must be submitted to the Exchange at least 2 months before expiry of the permitted time frame.

(iii) The initial business or asset acquired pursuant to the business combination must have a fair market value of at least 80% of the amount in the escrow account at the time of entry into the binding agreement for the business combination transaction, excluding any amount held in the escrow account representing deferred underwriting fees and any taxes payable on the income earned on the escrowed funds. Where the SPAC consummates multiple concurrent acquisitions or mergers as part of the business combination, there must be at least one initial acquisition which satisfies the requirement of having a fair market value constituting at least 80% of the amount in the escrow account at the time of entry into the binding agreements for the business combination transactions.

[60] SGX, *supra* note 52.

6. Moratorium on Sponsors' shares from IPO to de-SPAC, a 6-month moratorium after de-SPAC and for applicable resulting issuers, a further 6-month moratorium[61] thereafter on 50% of shareholdings.[62]
7. Rule 210 (11) (i) IPO Proceeds and Escrow Requirements

   (i) Immediately upon listing on the Exchange, the issuer must place at least 90% of the gross funds raised from its IPO in an escrow account opened with and operated by an independent escrow agent which is a financial institution licensed and approved by the Monetary Authority of Singapore. The amount placed in the escrow account cannot be drawn down except for the purpose of the business combination, on liquidation of the issuer or such other circumstances set out in Practice Note 6.4.

   (ii) The escrow agent appointed by the issuer must be independent of the founding shareholders, the management team, and their associates.

   (iii) The issuer must secure and maintain the escrow arrangement(s) at all times over the funds in the escrow account until the termination of the escrow account in accordance with Rule 210(11)(i)(v).

   (v) The issuer (through the escrow agent) may invest the escrowed funds in permitted investments in accordance with Rule 210(11)(i)(iv) and the escrow agreement governing the escrowed funds must provide for:

   (A) The termination of the escrow account and release of the escrowed funds on a pro rata basis to shareholders who exercise their redemption rights in accordance with Rule 210(11)(m)(x) and the remaining escrowed funds to the issuer, if the issuer completes a business combination within the permitted time frame; and

   (B) The termination of the escrow account and the distribution of the escrowed funds to shareholders (other than the founding shareholders, the management team, and their associates in respect of all equity securities owned or acquired by them prior to or pursuant to the IPO) in accordance with the terms of Rules 210(11)(n)(i) to (iv).
8. Sponsors must subscribe to at least 2.5% to 3.5% of the IPO shares/units/warrants depending on the market capitalisation of the SPAC.[63]

[61] SGX, *supra* note 52.
[62] SGX, *supra* note 52.
[63] SGX, *supra* note 52.

9. De-SPAC can proceed if more than 50% of independent directors approve the transaction and more than 50% of shareholders vote in support of the transaction.[64]
10. Rule 210 (11) (k)[65] Warrants issued to shareholders will be detachable and maximum percentage dilution to shareholders arising from the conversion of warrants issued at IPO is capped at 50%.[66]
11. Rule 210 (11) (m) (x) [67]All independent shareholders are entitled to redemption rights.[68]
12. Sponsor's promote limit of up to 20% of issued shares at IPO.[69]
13. Rule 210 (11) (n) Liquidation- (ii) Where the issuer (A) fails to complete a business combination within the permitted time frame in accordance with Rule 210(11)(m)(i); (B) fails to obtain specific shareholders' approval in accordance with Rule 210(11)(m)(ii); or (C) is directed to delist by the Exchange before the completion of a business combination in accordance with Rule 210(11)(p), the issuer shall be liquidated. The amount held in the escrow account at the time of the liquidation distribution (and such other accounts held by the issuer), net of taxes payable and direct expenses related to the liquidation distribution, shall be distributed to shareholders on a pro rata basis as soon as practicable, as permissible by the relevant laws and regulations. Any interest, income derived and deferred underwriting commissions accrued in the escrow account will form part of the liquidation distribution.
14. Rule 210 (11) (o) Delisting- If the issuer fails to (i) complete a business combination within the permitted time frame in accordance with Rule 210(11)(m)(i); or (ii) obtain specific shareholders' approval in accordance with Rule 210(11)(m)(ii), the Exchange will delist the issuer's securities on or about the date on which the liquidation distribution is completed.[70]
15. Part X Listing Procedures Contents of Application

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[64] SGX, *supra* note 52.

[65] SGX, *supra* note 55.

[66] SGX, *supra* note 52.

[67] SGX, *supra* note 55.

[68] SGX, *supra* note 52.

[69] SGX, *supra* note 52.

[70] SGX, *supra* note 55.

Rule 246 **Declarations**: Each **director**, **executive officer**, **founding shareholder** (for SPACs), **controlling shareholder**, and relevant **officers** must submit a declaration. This is in line with **Paragraph 8, Part 7 of the Fifth Schedule** under the **Securities and Futures Regulations 2018.**This requirement does **not apply to secondary listings**.[71]

16. Rule 248 Documents to be Submitted After Approval In-Principle and Before the Prospectus, Offering Memorandum or Introductory Document is Issued. [72]
17. Chapter 6 Prospectus, Offering Memorandum and Introductory Document Part I Scope of Chapter Rule 601 and Part II Content of Prospectus, Offering Memorandum and Introductory Document Rule 608 includes SPAC must also comply with the requirements in Part III, Part IV, and Part V and Part VI respectively and where a SPAC is seeking shareholders' approval for a business combination, the introductory document or the shareholders' circular (as the case may be) must comply with the prospectus disclosure requirements in the SFA(Singapore's Securities and Futures Act), with the necessary adaptations respectively.[73]
18. Part VI Additional Requirements for SPACs Rule 625 tells Apart from complying with applicable law and Part II of this Chapter, a prospectus issued by a SPAC in connection with a listing on the Exchange, should contain the following additional information like Full disclosure of the issuer's structure and inherent risk factors, Acquisition mandate and conditions (including the target business sector, types of asset, or geographic area for the purposes of undertaking a business combination), Business strategy including selection criteria or factors of the business combination and others[74]
19. Practice Note 6.4 Requirements for Special Purpose Acquisition Companies gives out guidance on the requirements for SPACs. Issuers should apply the principles outlined in the Practice Note flexibly and sensibly. It includes Guidance on Suitability Assessment Factors of a SPAC,Additional

[71] SGX, *supra* note 55.

[72] SGX, *supra* note 55.

[73] SGX, *supra* note 55.

[74] SGX, *supra* note 55.

Requirements for Escrow Agreement,Event of Material Change prior to Business Combination and others.[75]

Over 80 participants, representing a range of financial and legal constituencies, provided their feedback on SGX's SPAC consultation—among the strongest response levels in recent times. Their feedback were at the heart of guiding the final framework. En route to implementation, SGX will collaborate with the Securities Investors Association (Singapore) in educating retail investors regarding SPACs and collaborate with the Singapore Institute of Directors to prepare future SPAC directors for duties.[76]

3.3. REGULATION OF UNITED KINGDOM

On 27 July 2021, the UK Financial Conduct Authority (FCA) published a policy statement outlining final amendments to the UK Listing Rules, as well as new guidance for Special Purpose Acquisition Companies (SPACs) specifically tailored to them. Such reforms, applicable from 10 August 2021, follow a prior consultation published on 30 April 2021, which proposed to revolutionize the automatic suspension of trading usually caused by a SPAC's announcement of a potential acquisition. Under the earlier regime, suspension only could be waived in the case of sufficient publicly available information on the target—a disadvantage to SPACs with private targets. The new rules now allow SPACs to opt out of such suspention assumption, pending compliance with certain investor protection conditions. These include offering investors a "redemption" right to exit ahead of an acquisition being finalized, ring-fencing proceeds of funds raised from public shareholders, seeking shareholder approval of any proposed transaction, and adhering to a stipulated operating period for effecting a deal. SPACs that do not fulfill such conditions—or decline to adopt them—will be governed by the old suspension rules nonetheless. Based on industry feedback, the FCA has also introduced more flexibility in the application of such criteria and committed to issuing supervisory guidance to help issuers ensure their compliance before listing, eventually building a more transparent and investor-friendly market environment.

- **Minimum fundraising threshold-** SPACs will be required to raise at least £100 million of gross cash proceeds from public investors (excluding founders,

[75] SGX, *supra* note 55.

[76] SGX, *supra* note 55.

directors, and sponsors) at listing, which is less than the £200 million originally proposed by the FCA. [77]

- **Ring-fencing of Investor Funds-** SPACs must ring-fence public shareholder funds raised under a binding agreement with an independent third party (e.g., a trust account). These funds can be used only for: Financing an approved purchase, Redeeming shares upon investor request, Returning of funds if the SPAC fails to complete a transaction within the given timeline Part of the funds can be reserved to be spent on operations, provided it is specifically stated in the IPO prospectus. [78]

- **Restriction of Time for SPAC's Operation-** SPAC has 2 years since listing to consummate an acquisition. The timeline can be extended such that:

- By 12 months with shareholder approval (max 3 years total), and/or

- By an additional 6 months without approval by the shareholders, in certain advanced-deal situations (e.g., agreed deal not done), where formal RIS notice requirement exists. [79]

- Redemption Rights Shareholders should be given the right to sell or redeem shares to the SPAC at a predetermined price prior to the consummation of a deal irrespective of whether they voted in favor of or against the deal.[80]

- Under final rules the maximum operating period of UK listed SPAC is now 42 months including 12 months extension. the reason behind this approach is that to maintain fairness and transparency in transaction and to protect the interest of the shareholders from members with personal interest and gains in a particular acquisition

- **Corporate Governance and Approvals**

- Board approval is required for acquisitions, and conflicted directors are excluded from voting or participation.

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[77] Davis Polk, *FCA Publishes Final Rules for SPACs Listing in London*, https://www.davispolk.com/insights/client-update/fca-publishes-final-rules-spacs-listing-london (last visited Apr. 21, 2025).
[78] Davis Polk, *supra* note 77.
[79] Cadwalader Wickersham & Taft LLP, *The UK Launches Its New Listing Regime*, Lexology (July 25, 2024), https://www.lexology.com/library/detail.aspx?g=239a4d89-15ba-483d-ad2e-05a9f20153cd.
[80] Davis Polk, *supra* note 77.

- Shareholder approval is needed, and founders, sponsors, and director-shareholders cannot vote their shares on the transaction.
- In case any conflict of interest arises, the board shall have to make a 'fair and reasonable' announcement based on the opinion of an independent adviser (e.g., fairness opinion).[81]

❖ **Enhanced Disclosure Requirements**

While SPACs are already required to meet current UK disclosure requirements under the UK Prospectus Regulation, the UK Market Abuse Regulation (UK MAR), and the Transparency Rules (DTR 4 to 6), the FCA has added disclosure expectations for SPACs making an announcement of a proposed acquisition will contain subject to the presumption of suspension being waived.

The announcement must contain:

- A summary of the target company's business, stating what it does and where it operates.
- Direct references to any available public information on the target to enable investors to make further research.
- A clear statement of the material terms of the transaction, including how the transaction may dilute public shareholders—through current holdings by directors, sponsors, or founders, or through new shares to be issued as part of the acquisition.
- The anticipated timetable for the completion of the transaction.
- Information regarding selection and valuation of the target, referring to any processes outlined in the SPAC's initial IPO prospectus.
- Any other information that is pertinent or material regarding the target or transaction that the SPAC is aware of—or should be aware of through due diligence—so that investors can make an informed decision.[82]

❖ **Confirmation to FCA**

[81] Sebastian R. Sperber et al., *Cleary Gottlieb Discusses Final Rules for UK-Listed SPACs*, CLS Blue Sky Blog (Aug. 26, 2021), https://clsbluesky.law.columbia.edu/2021/08/26/cleary-gottlieb-discusses-final-rules-for-uk-listed-spacs/#_ftn5.
[82] Davis Polk, *supra* note 77.

The SPAC must provide a written guarantee to the FCA that all the conditions of eligibility are met and will remain met until the completion of the transaction, backed by evidence if necessary.

Continuous Supervision by the FCA On listing, the FCA would look at the SPAC prospectus and grant advance assurance that suspension would not be necessary provided certain conditions were fulfilled. Before making the acquisition announcement, SPAC must ensure ongoing compliance and consult with FCA with the draft announcement. If there is a leak, then the SPAC will have to operate under UK MAR requirements and notify the FCA. Suspension will be in contemplation only under general powers, not automatically.

3.3.1. Overview of Policy Statement PS24/6

In its continued drive to modernize the UK listing regime, the FCA has published its final rules in Policy Statement PS24/6, having received responses to Consultation Paper CP23/31.[83] The statement mostly confirms the proposals made initially, such as the simplification of disclosure requirements, elimination of shareholder votes on major and related party transactions, and a new single listing category known as Equity Shares in Commercial Companies (ESCC). Nevertheless, several significant updates and improvements have been incorporated following consultation feedback.

a. Cash Shells and SPACs

The FCA has switched back to its original strategy in the case of cash shells and SPACs. They will also have 24 months within which to effect an acquisition. Nevertheless, the timeframe can be increased by as much as 12 months three times at three separate points of time, with shareholders' sanction. They may, in other circumstances, add an additional six months to this duration.

b. Controlling Shareholders

Firms are no longer required to have a written relationship agreement with controlling shareholders—shareholders who own 30% or more of the voting

[83] Norton Rose Fulbright, *Essential Corporate News: Week Ending 12 July 2024*, https://www.nortonrosefulbright.com/en-in/knowledge/publications/ee081334/essential-corporate-news-week-ending-12-july-2024.

shares. They are still required to disclose the presence of such shareholders and obtain confirmation from the board about resolutions they put forward.

c. Companies in Financial Difficulty

Companies under financial distress will not be required to publish a circular for transactions that seek to alleviate their challenges. Rather, they must issue a public announcement specifying the nature of the financial issue and describing the repercussions in case the proposed transaction does not go through.

d. Extension to Closed-Ended Investment Fund

The new, streamlined rules on significant and related party transactions will now also extend to companies listed in the Closed-Ended Investment Fund category, ensuring consistency with more types of issuers.

3.4. REGULATION OF UNITED STATES

Activities of SPAC have seen a hike in 2017 and 2021 in comparison to traditional IPO. Not only rise in activity of SPAC but also one third of D-SPAC transaction has been significantly increased by 2021. General securities law fivern public companies through which SPAC are also regulated but she'll companies now don't fall under the category of blank check companies which has a strict regulation in form of penny stock Reform Act 1990 aiming for investors protection and resolving problematic issues arising during SPAC activity.

SPAC have seen a tremendous change from over-the-counter OTC Trade to getting listed on national securities exchange. Various changes regarding Laws and regulations have been seen over more than 30 years of time span. Beginning with securities enforcement remedies to penny stock Reform 1990 Act have been collectively known as she'll company regulations. Various SEC rules have also allowed SPAC to put a firm ground in usa. Such various changes have to be seen in form of evolution of regulation for SPAC in Usa.

"Pump and dump" scheme a famous perception of blank check offerings were common in 1980's dealt in penny stock exchange but after congress adopt Penny Stock Reform Act in 1990 to address fraud and abuse in market which led to the establishment of first

regulation which is Rule 419[84] under Securities Act, 1933[85] and Rule 3a51-1 under Securities Exchange Act, 1934 helped in bringing a huge reformation in form of restrictions like:

i- all funds raised and shares issued in public offering were to be placed in either escrow account (in cash) or invested only in US treasury securities;

ii- Time period to complete a merger process is only limited to 18 month [86]

iii- investors reconfirmation is mandatory before merger.

It was also noticed by SEC chairman Richard Breeden that blank check offerings were also used for legitimate business which helped SEC to adopt Rule 3a51-1 that define penny stock as securities with a share price of 5 dollar or less. In 1993 SEC identified that " the five dollar price threshold presents an easy mechanism for avoiding the regulatory scheme contemplated by Congress" and revised the defination and remove the exclusion.

In the year 2005 SEC made changes to Form 8-K[87] and Form S-8[88] because some abusive shell companies were not addressed by Rule 419 aiming to:

i- prevent shell companies from misusing Form S-8 to raise capital or register shares for non service purpose, and

ii- enhance disclosure and transparency in transaction that happen in shell companies.

Information that are required to register a class of securities under Section 12 of the Securities Exchange Act,1934 and also include event that will cause it to cease being a shell company will be mandatory to be mentioned in the Form 8-K, was adopted by SEC as final rule in 2005. SEC also adopted " Securities Offering Reform" which introduce tools like free writing prospectus and safe harbor provisions help in

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[84]"Rule 419 is a regulation set by the U.S. Securities and Exchange Commission (SEC) that governs how blank-check companies (such as Special Purpose Acquisition Companies, or SPACs) handle investor funds. It ensures that money raised in an initial public offering (IPO) is protected until the company finds a suitable acquisition target."
CoBrief, *Rule 419 Overview: Definition and Example*, https://www.cobrief.app/resources/legal-glossary/rule-419-overview-definition-and-example/ (last visited Apr. 21, 2025).

[85] Penny Stock Transactions, 57 Fed. Reg. 18,003, 18,043 (Apr. 28, 1992) (to be codified at 17 C.F.R. pts. 230 & 240).

[86] CoBrief, *supra* note 84.

[87] " Public companies file Form 8-K, known as the "current report," to the SEC to announce major events that shareholders should know about, including bankruptcy proceedings, a change in corporate leadership (such as a new director or officer) and preliminary earnings announcements." U.S. Securities and Exchange Commission, *Form 8-K*, Investor.gov, https://www.investor.gov/introduction-investing/investing-basics/glossary/form-8-k (last visited Apr. 21, 2025).

[88] "Form S-8 is used to register the issuance of securities as equity compensation."
Practical Law Corporate & Securities, *Securities Law Considerations in Issuing Equity Compensation*, Westlaw (2015), Westlaw Doc. No. 2-604-9985.

modernizing public offering and providing greater flexibility for ineligible issuers including she'll companies.[89]

In the year 2007 SEC updated relevant Rules144 and 145 under the Security Act, 1933 and provides stricter Rules in place for shell companies and former shell companies. SEC took guidance from "Worm/Wulfe letter"[90] which banned shell companies to to use Rule 144 to resell securities and also ensured that shareholders must wait for at least a year after merger before selling shares under Rule 144. Company also has to file detailed information with SEC in Form 10. Both aim to enhance investors protection ensuring enough reliable information is available to satisfy the SEC before allowing shares to be freely traded after a de-SPAC transaction. SEC wanted to prevent similar fraud and protect investors, especially in the risky micro-cap and penny stock market but also encourage legitimate business to raise fair capital from market.

Adoption of shell company regulations not only led to the meaning establishment of listed SPAC but also include key provision like a SPAC has to return the trust proceeds to its shareholders on the event of non completion of a De- SPAC transaction within a specified time.

Also in case of De- SPAC transaction shareholders approvel is required and ultimately triggers proxy solicitation rules set forth under Regulation 14 A of the Securities Exchange Act, 1934[91] where a listed SPAC must file a detailed disclosure proxy statement or joint proxy/ prospectus which is at the end reviewed by SEC. If in any condition during a De SPAC transaction a shareholders vote isn't mandated and held then offer of redemption of SPAC shares which include buyback shares from shareholders will be governed by Rule 13e-4 and Regulations 14 E of the Securities Exchange Act.

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[89] E. Ramey Layne & K. Stancell Haigwood, *SPAC Regulation—Past, Present and Future*, 45 U. Ark. Little Rock L. Rev. 233 (2022), https://lawrepository.ualr.edu/lawreview/vol45/iss2/4.

[90] In this letter, the SEC clarified that both before and after a business combination, promoters or affiliates of blank check companies, as well as their transferees, are considered "underwriters" of the securities issued. Consequently, Rule 144 would not be available for resale transactions in this context, regardless of technical compliance with that rule, because these transactions appear designed to distribute or redistribute securities to the public without adhering to the registration requirements of the Securities Act.
NASD Regulation, Inc., SEC No-Action Letter, 2000 SEC No-Act. LEXIS 42 (Jan. 21, 2000).

[91] " Form PRE 14A, also known as a "preliminary proxy statement not related to a contested matter or merger/acquisition," is required under Section 14(a) of the Securities Exchange Act of 1934."
Investopedia, *SEC Form PRE 14A: Meaning, Requirements, Example*, https://www.investopedia.com/terms/s/sec-form-pre-14a.asp (last visited Apr. 21, 2025).

A "Super 8-K" i.e. form 8-K filing is mandatorily required to be filed within four business days of closing a merger or acquisition with a target company which will include same information that is required to be filed in Form 10 registration statement treating SPAC merger as a De- SPAC transaction and ultimately an Ipo for a target company. Information includes two years of audited financial statement of target company to qualify as a Emerging Growth company or Small reporting Company and a separate section includes a Management Discussion and Analysis which explains financial conditions and result of operation of a target company.[92]

SEC can take policy decisions without actually including in formal rule changes like in September 2020 SEC issued Compliance and Disclosure Interpretation guidelines 115.18 stating that former SPAC cannot used Form S-3 for security registration untill 12 months of filing Super 8-K[93] and then again in October 2020 SEC made an update in its Financial Reporting Manual requiring target company to include financial statement audited under PCAOB (Public Company Accounting Oversight Board) standards in proxy statement for De- SPAC deals. So ultimately the SEC can enforce policy-based decisions during its review process.
In recent years SEC has increased its scrutiny in SPAC deals utilising a combination of existing laws, interpretive guidance, informal statements, and enforcements actions rather than solely rely on Shell company regulations.

Since 2020 SEC has brought significant changes towards greater disclosure norms and accountability by streamlining registration forms, demand more rigorous financial audits and uplifting the standard of transparency which led a greater impact on market practice shaping behavior through informal but influential interventions. For better understanding if we look into a statement issued by John Coates (Acting Director of the SECs Division of Corporation Finance) and Paul Munter (Acting Chief Accountant of the SECs) in 2021 regarding SPAC warrant accounting led to the significant changes in SPAC and former SPACs.[94] Their statement titled " Staff Statement on Accounting and Reporting Consideration for Warrants issued by [SPAC]" suggested that warrants

[92] Layne & Haigwood, *supra* note 89.
[93] **Securities Act Forms: Questions and Answers of General Applicability**, U.S. Securities and Exchange Commission, https://www.sec.gov/corpfin/securities-act-forms (last updated Mar. 20, 2025).
[94] John Coates & Paul Munter, *Staff Statement on Accounting and Reporting Considerations for Warrants Issued by Special Purpose Acquisition Companies ("SPACs")*, U.S. Securities and Exchange Commission (Apr. 12, 2021), https://www.sec.gov/newsroom/speeches-statements/accounting-reporting-warrants-issued-spacs.

should be classified as liability instead of equity because of particular provisions like disparities in treatment for sponcer warrants and vague change of control can result in unclear accounting for warrants. Change or expiry of warrants depending on who the are owned and unclear terms of warrants issued which can change on merger is just like debt or liability. So this release of statement cause a standstill in SPAC IPO as auditors would not sign off and hundreds of SPAC merger were delayed due to accounting treatments for warrents needed to be reviewed before the proxy statement were sent to the investors. This led to reassessment of financial statements of various and ultimately reclassify warrants as Liability instead of equity.

Similarly in statement issued by John Coates on April 8, 2021 titled as " SPAC, IPOs and Liability Risk under the securities Laws" focused on question that PSLRA(Private Securities Litigation Reform Act) provides a safe harbour for De- SPAC transaction for forward looking statements made in proxy or registration statements and they should provide lesser liability than in traditional IPO. There was a general perception of various investment bankers and SPAC sponsors that trying to use different paths (SPAC) to avoid strict rules will be protected under the PSLAR's safe harbor approach but the statement released by the SEC gave clear thoughts in the minds of such people calling it a myth of "regulatory arbitrage". They said that companies don't choose SPAC deals only to make wild predictions and avoid lawsuits rather both can pose serious legal risks and such risks can be even higher than a regular IPO. On September 2021 the SEC Investor Advisory committee (IAC) recommended SEC regarding SPAC transaction to enhance disclosure rules including identity and relationship of PIPE investors and whether benefits were given for not to redeem share before De- SPAC transaction and eliminate PSLAR safe harbour approach for De-SPAC transactions. Congress proposed bill sorry the same.

Proposed SPAC rules were made in 2022 which were subject to new interpretation of existing laws, new rules were adopted and which covers:

i- Disclosure norms - like disclosure regarding projection including who and for what purpose such was made, disclosure of material-based consideration for determining fairness in transaction and others.

ii- Gatekeepers - proposed SPAC rules aim to expand the area for liability for mis-statements or omission in De- SPAC disclosure by reanalysing the role of investment banks that assists in De-SPAC deals through advisory and financial approach can be deemed as statutory underwriter making them liable for misstatements unless they prove due diligence but courts have ruled that only those who are actively involved in

public distribution will be taken into account as underwriters. SEC commission suggested that more clarity is required in this approach and proper rule making or legislative approach is needed if investment bankers are to serve as Gatekeepers.

iii- Other proposals- which include SEC to amend the defination of blank check companies for the purpose of SPAC to be ineligible for PSLRA safe harbor but this would again not change the position in the litigation or behaviour of SPAC as the will then opt for comparable protection under common law" bespeak caution" doctrine. Rather the SEC proposed a new Rule 3a - 10 under the Investment Company Act 1950 which will provide SPAC with a safe harbor approach as long as certain conditions are met.[95]

In 2024 Disclosure Requirements regarding conflict of interest, sponsors compensation and dilution were provided with a clearer approach. Enhancement of detailed information on target company was seeked so that investors can make better decisions. Requirment of various SPAC companies to give proper explanation on the assumption and basis made in financial projections. Target company must co-sign registration statement during De- SPAC transaction so that they can share the legal responsibility for the disclosure. PSLAR safe harbor approach will not be applicable for SPAC.

In 2025 new rules will be adopted regarding minimum dissemination period for the distribution of security holders' communication materials linked to De- SPAC transaction and status of Small Reporting Company in connection to De- SPAC will be re- analysed. Rules will be adopted for safe harbor under PSLRA,1995. New guidelines will be provided on how potential underwriters may be identified in De SPAC transaction.

3.5. REGULATION OF INDIA

3.5.1. INTERNATIONAL FINANCIAL SERVICES CENTRE

Chapter VI of the regulations is solely devoted to listing requirements of Special Purpose Acquisition Companies (SPACs), and Regulations 67 to 69 specify the eligibility requirements. For raising capital through an Initial Public Offering (IPO) on exchanges approved by the International Financial Services Centre (IFSC), a SPAC

[95] Layne & Haigwood, *supra* note 89.

cannot have entered into a target business combination prior to the IPO.[96] Furthermore, it is also necessary that the SPAC must have provisions for investor redemption and liquidation as determined by the regulations. Another mandatory requirement is that the sponsor of the SPAC must have a proven and disclosed track record in business combinations, fund management, merchant banking, or prior transaction in SPACs. SPACs are also made ineligible to list their securities if any of their sponsors have been identified as wilful defaulters, barred from capital markets, or identified to be fugitive economic offenders. [97]

Regulations 70 and 71 mandate applicability of provisions of Chapter III to SPACs, such as appointment of one or more merchant bankers as lead managers. The lead managers make arrangements for appointment of other intermediaries and assist in obtaining in-principle approval from an IFSC-recognized stock exchange. The SPAC is required to file a draft offer document, along with a due diligence certificate, to be made available to public gaze for 14 days. The lead manager is required to file consequential changes due to public comments with the regulator, who may make observations. As per Regulation 72, the SPAC is required to proceed with the IPO within one year from the date of receipt of such observations, or a new offer document is required to be filed.[98]

Regulations 73 and 74 give a list of mandatory disclosures in the offer document, such as risk factors, redemption and liquidation rights, capital structure, tax considerations, financial statements, and related-party transactions. There shall be a minimum issue size of USD 50 million prescribed under Regulation 75, but this can be amended by the IFSC Authority. The post-issue paid-up capital must be held by the SPAC sponsor between 15% and 20%. There shall be a fixed price mechanism for the issue under Regulation 76, under which each share shall be sold at a minimum of USD 5. The IPO window shall be kept open between 3 days and 10 days under Regulation 77.[99]

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[96] Priyadharshini R, *What Is Special About Special Purpose Acquisition Companies: Analysing Questions on Regulatory Framework and Corporate Governance* (Dec. 12, 2024).
[97] International Financial Services Centres Authority, *Issuance and Listing of Securities Regulations, 2021*, https://ifsca.gov.in/Viewer/Index/202 (last updated Apr. 11, 2025).
[98] International Financial Services Centres Authority, *supra* note 97.
[99] International Financial Services Centres Authority, *supra* note 97.

Under Rule 78, underwriting of a portion of the issue is allowed subject to the condition that all the agreements are made clearly known in the offer document. At least 50% of the underwriting commission must be placed in an escrow account and is payable only on successful business combination. On winding up, underwriters must relinquish claims on deferred commission. Rules 79 and 80 lay down the application and allotment rules, minimum application size being USD 100,000, with at least 75% of the issue subscribed. There must be at least 50 subscribers (subject to variation by the Authority), and no investor can be allotted more than 10% of post-issue capital. Allotments or refunds should be made within five working days from the issue closure.[100]

Regulation 82 requires that 100% of the IPO proceeds be deposited in an interest-bearing escrow account held in the custody of an independent custodian. These funds can be invested only in invested grade short term liquid securities, and such details are to be disclosed in the offer document. Withdrawals for tax and general purposes need to be authorized by the shareholders.

Under Regulation 83, a full prospectus is to be filed with the IFSC-recognized exchange, including details on the target, proposed combination process, and combined post-combination company. Shareholder approval is mandated for any business combination proposed, under Regulation 84, and dissident shareholders are to be allowed to redeem shares. Redemption rights are also to be made available in the case of a control change in the SPAC.[101]

Regulation 85 sets a stringent timeline, and the combination of companies must be attained within 36 months. In default, Regulation 86 demands the liquidation of the escrow account, and sponsors cannot receive proceeds of liquidation. Regulation 87 forbids sponsors from transferring their securities until the combination is attained.

[100] International Financial Services Centres Authority, *supra* note 97.
[101] Manohar Samal, Bhavana J. Sekhar & Sathyajith M.S., *An Indian Perspective on Special Purpose Acquisition Companies*, GLA-TR-001 (Global Law Assembly, 2021), https://www.researchgate.net/publication/355215540_An_Indian_Perspective_on_Special_Purpose_Acquisition_Companies.

Under Regulation 88, the target business's value should be at least 80% of the escrow amount, excluding commission or tax. Regulation 89 prohibits related-party transactions with the target entity strictly. Regulation 90 regulates issuance of warrants under SPAC IPOs, while Regulation 91 authorizes the IFSC Authority to prescribe other norms specific to SPAC business.[102]

Following the successful completion of a business combination, Regulation 93 requires the resulting issuer:

1. Disclose transaction details to the specified exchange,

1. Meet the needed eligibility and listing requirements,
2. Ensure sponsor shareholdings are locked in for 1 year from the closing of the transaction date, Impose the same lock-in period on the promoters, controlling shareholders, and key managerial personnel of the resulting company.[103]

3.5.2. SEBI

Enforcement of securities law in India is performed by the Securities and Exchange Board of India (SEBI), the major regulator of the nation's capital markets. Although India has recently established a formal regulatory environment for Special Purpose Acquisition Companies (SPACs) in the form of the International Financial Services Centres Authority (IFSCA), the procedural and legal hurdles remain predominant, discouraging the unrestricted operation of SPACs, especially in the context of domestic markets.

One of the most important regulatory barriers to SPACs is that of the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018,[104] Regulation 6(1). The regulation provides for the conditions to be met by parties who want to issue an Initial Public Offering (IPO) on Indian stock exchanges. Such conditions are:

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[102] Samal et al., *supra* note 101.
[103] International Financial Services Centres Authority, *supra* note 97.
[104] **Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018**, [Last amended on Jan. 1, 2020], https://www.sebi.gov.in/legal/regulations/jan-2020/securities-and-exchange-board-of-india-issue-of-capital-and-disclosure-requirements-regulations-2018-last-amended-on-january-01-2020-_41542.html.

1. At least ₹3 crore of net tangible assets as of the immediately preceding three years
2. Average operating profit of ₹15 crore for the same period.
3. A net asset value of ₹1 crore for the entire past three years.[105]

As SPACs, by definition, are shell companies with no tangible assets or operational businesses that generate revenues, by default, they fall outside of meeting these requirements. Thus, this is a very significant disadvantage for their domestic SEBI-listed exchange listings.

But Rule 6(2) of the same framework offers a different path for those companies below the threshold in Rule 6(1). Under this rule, an issuer may go ahead with an IPO subject to the condition that 75% of the net offer is reserved for Qualified Institutional Buyers (QIBs) through book-building. While this does offer some flexibility, the model restricts access severely for retail investors, thus potentially curtailing the stream of capital into SPACs and confining their investor base to institutional investors alone.

It is to be noted here that such regulatory constraints do not apply to SPACs for listing in the IFSC jurisdiction. The IFSCA (Issuance and Listing of Securities) Regulations, 2021, within Chapter VI, lay down a special and liberal regime for the registration and operation of SPACs. Such regulations do not entail traditional operational and asset-based requirements, thereby facilitating the formation and public listing of SPACs in India's IFSC platform—particularly through recognized exchanges such as the GIFT City Exchange.

However, even in this facilitative environment in the IFSC, there are a few other legal uncertainties. One of them arises in the context of the SEBI (Alternative Investment Funds) Regulations, 2012.[106] It is unclear whether venture capital funds (VCFs) and other alternative investment funds (AIFs) falling within the regulations of SEBI can invest in SPACs operating in the IFSC. Lack of clear guidance in this regard creates uncertainty on the part of domestic institutional investors, and this could deter participation by these valuable sources of capital.

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[105] **Devarsh Shah**, *SPAC Listings in India: Regulatory Hurdles and the Way Forward*, IndiaCorpLaw (Mar. 23, 2021), https://indiacorplaw.in/2021/03/spac-listings-in-india-regulatory-hurdles-and-the-way-forward.html.

[106] **Securities and Exchange Board of India (Alternative Investment Funds) Regulations, 2012**, [Last amended on Aug. 13, 2021], https://www.sebi.gov.in/legal/regulations/aug-2021/securities-and-exchange-board-of-india-alternative-investment-funds-regulations-2012-last-amended-on-august-13-2021.

Another problem is created by India's exchange control regulations, i.e., cross-border shareholding and remittance policies. Reserve Bank of India's (RBI) Liberalised Remittance Scheme (LRS) puts a limit on the fair market value of foreign securities that can be bought by Indian residents. In a De-SPAC arrangement—wherein shareholders are provided with equity in the newly merged company—there is a risk of regulatory conflict if the fair market value of such shares is higher than the required limit, thereby making the investment process complicated for Indian retail and HNI investors. Lastly, the procedural complexity and time-consuming process of obtaining regulatory approvals for mergers, especially with foreign counterparts, continue to be a major hindrance. Inter-country corporate mergers will likely involve multiple layers of approvals by regulatory authorities such as the National Company Law Tribunal (NCLT), RBI, and, in some cases, the Ministry of Corporate Affairs (MCA). The overall time frame for obtaining such approvals is long, and the level of approval is relatively low, discouraging sponsors from seeking complex cross-border business mergers.

3.5.3. MERGER AND ACQUISITION LAW

Outside this limited jurisdiction, SPACs established in other countries continue to have the legislative authority to acquire Indian companies, thereby triggering cross-border merger provisions. This leads to a situation where the issues faced in foreign jurisdictions—i.e., controversies relating to valuations, regulator arbitrage, and post-merger compliance—are equally relevant in the Indian scenario. The United States of America, which is the country that most widely recognizes SPACs, offers useful comparative observations, particularly given its strict 24-month deadline for business combinations and the ensuing regulatory issues around valuations and disclosure.

A. Challenges in SPAC Acquisition Valuation

One of the most significant SPAC mergers issues is the valuation of target firms. The valuation becomes particularly challenging when the acquired firm possesses a combination of tangible and intangible assets like intellectual property, goodwill, or real estate. Indian targets undergo rigorous third-party tests of valuation, but the process

proves to be subjectively biased and varies significantly depending on market conditions and estimation methods.[107]

Besides, the issue of post-merger share dilution—specifically, that pertaining to sponsor shares (typically 20%)—has the potential to significantly influence the share price of the SPAC. Moreover, when SPACs merge with more than one entity, valuation metric coordination complexities increase, increasing the risk of investor discontent and regulatory scrutiny. Another issue is the accounting treatment of SPACs' warrants prior to the merger. Effective accounting and conversion of these instruments to equity post-acquisition is necessary to prevent undue dilution and effective representation of shareholders.

B. Challenges to Regulatory and Legal Framework

Legal intricacies are also involved in the conflict of interest. Promoters in the United States stand to lose their shares if a business combination fails to materialize as intended (within 24 months in the United States, and 36 months under IFSCA Regulation 85 in India). This motivates promoters to occasionally seek expensive acquisitions in order to avoid dilution of their holdings, and damage can thereby be caused to minority shareholders.

Even though India has regulations requiring board members and promoters to justify acquisition prices, such conditions might prove inadequate given the prevailing problems in the appointment and empowerment of independent directors, thereby making SPAC-sponsored deals hard to track.[108] In the Indian context, SEBI has already strengthened IPO norms to make them more accountable, which has led to increased scrutiny of most IPOs during preparation. Such evolving disclosure requirements might pose additional compliance hurdles for SPACs and target companies in India.[109]

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[107] **Dayton Nordin & Mayis Kirakosyan**, *Three SPAC M&A Risk Factors and Ways to Mitigate Them*, EY (May 19, 2021), https://www.ey.com/en_us/strategy-transactions/spac-m-a-risk-factors-and-ways-to-mitigate-them.

[108] **Monika Prajapat**, *Independent Directors as Watchdog of Companies: Key Role and Challenges*, The Indian Commercial Law Review and Practice Blog (May 26, 2020), http://iclrap.in/independent-directors-as-watchdog-of-companies-key-role-and-challenges/.

[109] **PricewaterhouseCoopers (PwC)**, *Rise of SPACs: An Indian Perspective*, PwC India (May 2021), https://www.pwc.in/assets/pdfs/services/deals/rise-of-spacs-an-indian-perspective.pdf.

3.5.4. TAX LAW

In India, the tax regime is divided into two main categories: direct taxes and indirect taxes. But with respect to SPACs (Special Purpose Acquisition Companies) and their tax effects in India, the key areas of concern are restricted to corporate taxation (tax on business income) and taxation of capital gains under Income Tax Act, 1961.[110]

One of the key legal and structural issues under India's Income Tax Act, 1961, is that of capital gains taxation in De-SPAC transactions. Section 47(vi) of the Act exempts any transfer of capital assets in a scheme of amalgamation by an amalgamating company to an amalgamated Indian company from capital gains tax. The implication of the provision is that only those mergers where the resulting entity is an Indian company receive such tax-neutral treatment.[111]

Still, in the event of De-SPAC mergers of foreign amalgamated companies where relief is not permissible. Because they are foreign companies, they don't satisfy the residency requirement set forth under Section 47(vi). Hence, such mergers aren't considered tax-free restructurings and instead are treated as "transfers" under Section 45 and hence invoke obligation for capital gain tax.[112]

Likewise, Section 47(vii)(b) pertains to exemption from capital gains tax for shareholders of an amalgamating company in a merger. According to this provision, the exemption from capital gains tax can be obtained only when the shareholder gets the shares of an Indian amalgamated company. If the merged company is foreign, as is often the situation in cross-border De-SPAC mergers, the shareholders would not be eligible for this exemption and would thus be subject to capital gains tax on the transaction.[113]

3.5.5. COMPANY LAW

India's existing company law regime, regulated by the Companies Act, 2013, presents serious hurdles to the formation and functioning of Special Purpose Acquisition Companies (SPACs). Although SPACs are widely known to be efficient instruments

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[110] **Income-tax Act, 1961**, No. 43 of 1961, Acts of Parliament, 1961 (India), https://www.indiacode.nic.in/handle/123456789/2435.

[111] Pavithra, supra note 27.

[112] **Devarsh Shah & Dharmvir Brahmbhatt**, *Tax Implications on SPAC: To SPAC or Not to SPAC?*, The CBCL Blog (June 8, 2021), https://cbcl.nliu.ac.in/taxation/tax-implications-on-spac-to-spac-or-not-to-spac/.

[113] Pavithra: supra note 27.

for raising capital and enabling mergers across the world, the Indian legal framework is not yet supportive of their growth.

The significant issue under Section 248 of the Companies Act, 2013, giving power to the Registrar of Companies (RoC) to remove a company's name if it has failed to start business within one year of its incorporation, primarily targets elimination of dormant or shell companies to be utilized for illegal activities inadvertently impacts SPACs, who are legal shell entities by definition. SPACs take around 18 to 24 months to find and consolidate with an appropriate target firm. In the meanwhile, they do not have conventional business activities to carry out and are in danger of being struck off even though they operate under their specified objective.

This creates a regulatory mismatch, in which well-intentioned provisions for preventing financial malpractices inadvertently stifle innovation in capital markets. Even though the Companies Act acknowledges the notion of a "dormant company", by virtue of which companies formed to hold assets or for future projects can remain registered without undertaking any business, it is not specifically applicable to SPACs.

One of the most important conditions of bringing a company into operation under this Act is the registration of the Memorandum of Association (MoA), whose essential part is the object clause. The object clause defines the purpose for which the company is established and keeps the company from exceeding those specified goals. The object clause is of two kinds: the main objects, which define the main purposes for which the company is established, and other objects, which list other purposes the company will engage in.[114]

The Act compels a company to define its primary business activities in the object clause i.e., the company is required to define what type of trade, service, or manufacturing it will be carrying out. A SPAC, however, has no definite business of its own. Its sole purpose is to raise capital and then merge or acquire some other company in the future. This "waiting" or "holding" form is no valid independent business activity under the Act. Any "other object" requires the company to resolve by a special resolution or acquire central government sanction. Since SPACs do not possess traditional

[114] Brij Bhushan Garg & Soubhik Chatterjee, *Legal Aspects of Designing a Special Purpose Acquisition Company (SPAC) in India*, Indian Inst. of Mgmt. Calcutta, Working Paper No. 687 (Nov. 2011)

commercial operations, their purpose within these categories becomes complicated and restrictive. [115]

Under Indian company law, if a company does something other than what is mentioned in its declared objectives, then the act is ultra vires (ultra vires) and illegal. Hence, if a SPAC wishes to acquire or merge with a target unlisted company, it becomes legally invalid.

3.5.6. PRIVATE INTERNATIONAL LAW

For example, in Section 236 of the Companies Act, 2013, minority shareholders of the Indian target firm have a right to insist on a reasonable price for their shares. They can oppose the merger or acquisition if they feel the offer is below the value of their holding. The problem, however, is the procedural enforceability—where and how these shareholders can file a case. If the SPAC is incorporated abroad, are the shareholders required to file a suit in the foreign country? Or can they approach the Indian courts for redressal despite the SPAC officials not being present physically in India?[116]

This creates a second issue—enforcement. Even when Indian courts accept the case, enforce Indian laws, and decide in favor of the shareholders, enforcing the judgment overseas becomes difficult. Courts of the SPAC's domicile may decline to recognize or enforce Indian judgments, thus defeating the effectiveness of legal remedies and enabling foreign parties to be absolved of responsibility.[117]

Moreover, expanding the jurisdictional scope of Indian courts to include such cases can prove to be counterproductive. Exceeding jurisdictional limits can scare away foreign SPAC sponsors and reduce India's appeal as a destination for foreign investments. As dispute resolution has been privatized, particularly by arbitration in cross-border financial transactions, it becomes essential to make the governing law and jurisdiction specific in all agreements.

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[115] Garg & Chatterjee, supra note 114.

[116] **Hugh & Hazel Darling Law Library**, *Private International Law*, UCLA School of Law (2021), https://libguides.law.ucla.edu/privateinternational.

[117] **Akila Agrawal, Yash J. Ashar, Ravi Shah & Avani Dalal**, *Using SPAC Vehicles as a Means of Listing Outside India*, IndiaCorpLaw: A Cyril Amarchand Mangaldas Blog (Sept. 14, 2020), https://corporate.cyrilamarchandblogs.com/2020/09/using-spac-vehicles-as-a-means-of-listing-outside-india/.

Thus, for reducing legal ambiguity, all such SPAC mergers with Indian targets must be supported by good contract drafting outlining the selection of law and settlement of disputes ahead of time. This must entail both substantive as well as procedural law provisions to enable all stakeholders to know clearly their rights and obligations and avenues of legal remedies.

3.6. COMPARATIVE ANALYSIS

The policy environment regarding Special Purpose Acquisition Companies (SPACs) differs considerably by jurisdiction, demonstrating alternative policy preferences and levels of market maturity. The United States still has the most advanced SPAC market in which the Securities and Exchange Commission (SEC) has historically favored a disclosure-focused model. SPACs in the U.S. list mainly on the NYSE and NASDAQ, and though the model has fueled innovation, it has also spurred regulatory alarm about conflicts of interest, dilution, and speculative projections. In response, the SEC adopted new rules in 2024 to enhance disclosure, subject sponsors and underwriters to liability, and subject de-SPAC transactions to the level of scrutiny afforded to traditional IPOs.[118]

India has taken a much more restrictive and investor-protective route, confining SPAC activity to the International Financial Services Centre (IFSC) in GIFT City. Chapter VI of the IFSCA's regulations imposes strict eligibility criteria on sponsors, requiring established track records in respective financial sectors. Sponsors with associations with financial misconduct, e.g., wilful defaults or fugitive economic crimes, are specifically excluded. Indian law further insists on a deposit of all IPO proceeds of 100% into an escrow account, bearing interest that may be released for particular usage with shareholder vote. Investor protection is further secured through the stipulation that a single investor could only take 10% of post-issue equity and requiring disclosure of the offer document to the public for commenting over a 14-day term.

Singapore's SPAC structure, launched by the Singapore Exchange (SGX) in 2021, seeks to reconcile market competitiveness with strong protections. Though marginally more accommodating than India, Singapore demands credibility and experience from sponsors. A minimum of 90% of IPO proceeds must be placed in an escrow or trust

[118] Suhaliya Qureshi, *Special Purpose Acquisition Companies (SPACs): A Legal Perspective on Corporate Governance, Securities Compliance, and Regulatory Challenges*, **Int'l J. for Multidisciplinary Res.** (Nov.–Dec. 2024).

account, and public shareholders are assured redemption rights before business combinations. The SPAC has to find and execute a de-SPAC transaction within 24 months, which can be extended by 12 months subject to shareholder approval. The SGX also requires at least 25% of the combined company's equity after the combination to be held by public shareholders, which enforces public investor control.

The UK, being regulated by the Financial Conduct Authority (FCA), revised its Listing Rules in 2021 to revitalize SPAC activity on the London Stock Exchange. The UK regime is more transparent in nature, with shareholder vote requirements, redemption rights, and disclosures of possible conflicts. It permits SPACs to bypass automatic trading suspensions—frequent under previous rules—if investor protections are integrated into the SPAC design, such as fairness opinions and public notices. The UK provides more flexibility than India and Singapore, especially regarding sponsor obligations and business combination deadlines, but retains high levels of governance expectations through market practice and mandatory disclosure.[119]

An important point of divergence between the four jurisdictions is how quickly a business combination must be completed. The United States generally obliges SPACs to combine with a target within 24 months, with the ability to extend with shareholder approval. Singapore also has a comparable framework, with India having a rigid 36-month limit, beyond which liquidation is enforced and sponsors lose their right to escrow proceeds. The UK model is lenient, allowing deadlines to be set by the SPAC's constitution and to be disclosed in the prospectus. This mirrors the UK's principles-based approach to regulation compared to India's rules-based and closely regulated system.

Investor protection measures are also very different. India has one of the broadest arrays of protections, such as redemption rights in any business combination or change of control, a minimum of 50 subscribers, and extensive disclosures regarding risk factors and related-party transactions. Singapore and the UK also assure redemption rights, with Singapore imposing minimum public float requirements after a merger. The U.S. government, though historically less controlling, has experienced increasing pressure to shield investors in the face of dilution concerns, incentive for sponsors, and deceptive

[119] Daniele D'Alvia, *From Darkness to Light: A Comparative Study of Special Purpose Acquisition Companies in the European Union, the UK, and the US*, 24 **Cambridge Y.B. Eur. Legal Stud.** 201 (2022), doi:10.1017/cel.2022.8.

projections. The new 2024 SEC regulations now require increased disclosures, statements of fairness, and sponsor accountability for material misstatements.

Post-merger corporate governance models exhibit varying methods of guaranteeing long-term alignment. India has a one-year lock-in requirement for promoter and sponsor shares after combination and a full disclosure of the transaction to the recognized exchange. Singapore has a six-month lock-in period, which can be extended based on profitability results. The U.K. does not have lock-ins but promotes governance discipline through institutional investor vigilance and market conventions. In the U.S., sponsor lock-ups are typically negotiated in private, with typical terms ranging from 6 to 12 months, although now the SEC insists these terms must be disclosed clearly and formulated based on performance milestones.

All in all, though the U.S. is the biggest and most vibrant SPAC jurisdiction, it is becoming increasingly regulated as a reaction to abuses of the market. India is the most stringent model, with required timelines, strong investor protections, and strict sponsor liability. Singapore is a balanced middle ground, balancing investor protection with regional SPAC promotion. The UK takes a governance-oriented, disclosure-based model with flexible structuring. These regimes collectively show diverse approaches to balancing capital-raising efficiency with transparency and investor protection in the new global SPAC landscape.

3.7. CONCLUSION:

The regulatory and legal environment of Special Purpose Acquisition Companies (SPACs) is changing with great speed worldwide, and India is at an inflection point to adopt this new model of financing. An inter-country comparative examination of the SPAC regime in India, the United States, the United Kingdom, and Singapore presents a range of levels of maturity, flexibility, and investor-oriented mechanisms of governance to be emulated by India while developing a SPAC regime in totality.

In the United States, SPACs are regulated under a mature and tried-and-true regulatory framework that prioritizes transparency, shareholder protection, and strict disclosure requirements under the SEC. The 24-month timing for business combinations, escrow provisions, and redemption rights give investors strong protection, albeit with

increasing oversight of valuation and post-merger performance. The UK, under the FCA, has taken a more conservative but flexible route, emphasizing governance, independent supervision, and ringfencing of funds without requiring a strict escrow arrangement. This flexibility renders the UK appealing to sponsors while remaining protective of investors. Singapore, via the SGX, blends stringent standards for sponsor reputation, minimum market capitalization (S$150 million), and compulsory independent valuations, presenting itself as a balanced and progressive jurisdiction in Asia.

India, however, has only gone so far as to make formalizing a SPAC ecosystem an initial step by way of IFSCA regulations at GIFT City, where SPACs can raise funds and list in an overseas jurisdiction. But capital markets within India regulated by SEBI, along with the wider legal regime under the Companies Act, 2013, and the Income Tax Act, 1961, are still missing the structural overlap to enable SPACs on a large scale. Challenges like Section 248 of the Companies Act (which threatens to strike off idle SPACs), non-neutrality in capital gains tax for cross-border de-SPAC transactions, enforcement challenges under private international law, and regulatory ambiguity under FDI and FEMA regulations are huge impediments.

In order to fully avail itself of the SPAC wave, India needs to have a comprehensive regulatory structure involving:

1. Legal acceptance of SPACs under SEBI regulations,
2. Reformed taxation regulations granting exemptions for cross-border de-SPACs,
3. Transparency and clarity in jurisdictional and arbitration provisions for resolving disputes,
4. Sponsor responsibility and higher disclosure standards,
5. Harmonization of corporate, securities, and foreign exchange regulations.

By adopting the best of the U.S., UK, and Singapore, and adapting them to India's financial environment, India can emerge as a regional hub for SPAC activity, facilitating the growth of startups, investors, and capital markets in tandem with global trends.

CHAPTER 4
IMPACT OF CORPORATE GOVERNANCE ON SPAC: COMPARATIVE STUDY BETWEEN INDIA, US, UK AND SINGAPORE

4.1. INTRODUCTION

SPAC has emerged as a a better alternative to traditional IPO in the last decade. Being a shell company with no commercial operations its sole purpose is to raise capital through an IPO eventually by the process of merger allowing private company to go public in a faster and less complex method. Due to its rapid growth, unique structure and evolving nature SPAC has become a subject of scrutiny where corporate governance play a crucial role in this sphere.

In this context of SPAC corporate governance influence how decisions are made, disclosure of information, and how stakeholders' interest is protected develops a key aspect regarding SPACs transparency and accountability. Various regulators and stock exchanges of different jurisdictions have responded with varying degrees of rigor and reforms, aiming to bring a balance capital market innovation with a robust governance practice. Understanding the nuances of corporate governance in this domain is essential in ensuring market integrity, long term value creation and investor confidence in the SPAC process.

By diving deep into the aspect of corporate governance in SPAC, we will look at how effective this approach can help achieve a dream.

4.2. GOVERNANCE OF SPAC IN USA, UK AND SINGAPORE

1. **Role and Accountability of SPAC Sponsors:** During the lifecycle of a SPAC, sponsors play a pivotal role starting from initiating formation of a SPAC and raising capital till responsibly identifying and merging with a target company within a specified time frame makes it crucial to understand their role in corporate governance which will ensure safeguard to public shareholders interest.

a. Role of SPAC sponsors: Generally, SPAC sponsors are responsible for

- ❖ Establishment and Fundraising- Sponcers involve from initial stage from Formation of a SPAC with filing of registration till raising of capital through IPO.
- ❖ Target identification and performance of due diligence - Searching and Evaluating of a potential target till completion of due diligence like analysing business financials or market prospects makes it an important role of sponsors in a SPAC.
- ❖ Investors engagement and Deal Negotiation: deal is is negotiated with the respective target company with proper proposal of merger which includes valuation and ownership structure and others, and such information is to be delivered to investors helping them to make a informed decision and bridging the gap between merger deal and investors are the role of sponsors of SPAC.
- ❖ Regulatory compliance and Post merger Management- SPAC sponsors ensures all regulatory requirements are met with approval of shareholders and after merger the sponsors play a key role in management and governance of the new entity.

b. Sponcers generally receive a "promote", or 10- 20% of shares in a nominal amount for formation of a SPAC which will generate high return post merger even if the company underperforms.[120] This can led to misalignment between sponsors and public shareholders as for such financial gain such sponsors will be determined to complete the deal without proper due diligence and optimum deal terms which will ultimately hampers the reputation of SPAC and destroy investors confidence. To tackle such problems governance play a important role allowing a proper regulatory framework and oversight leading to investors protection as the main motive of SPAC deal.

c. Regulatory Disclosure Requirements- to resolve issues between sponsors and public shareholders ultimately require transparency. Like in USA the SEC requires detail disclosure of SPAC sponsors including comprehensive details about their background, their financial interests and any relationship that might influence the decision making process of such deal given in § 299.1063 of regulation S-K.[121] Similarly in Singapore Exchange sponsors of SPAC must hold depending on market capitalisation, a minimum

[120]**Haley M. Kavanaugh & David J. Kaufman**, *SEC Urges SPACs to Include Disclosures of Conflicts of Interest*, Thompson Coburn LLP (Oct. 28, 2021), https://www.thompsoncoburn.com/insights/sec-urges-spacs-to-include-disclosures-of-conflicts-of-interest/.
[121] 17 C.F.R. § 229.1603 (2025).

equity stake between 2.5 to 3.5 percent and are also subject to moratorium of their shares with a further lockin period post merger which ultimately ensures long term commitments to investors. FCA in UK requires all shareholders to vote in a De SPAC transaction including minority shareholders ultimately protecting the interest of minorities with all.

d. Measures that can be taken to build and enhance accountability are:

- ❖ Post merger performance metrics - sponsors should benefit only if after post merger the new entity performs well.
- ❖ Enhancement of Disclosure norms emphasising on strict rules regarding sponsors compensation method and conflict of interest disclosure
- ❖ Independent Oversight- it can play a key role in evaluation of SPACs potential merger blueprint and can ensure success by adding additional layer of scrutiny in the process.

Such role and accountability of sponsors are core to corporate governance led to transparency and accountability ultimately aiming for success in such deals. It will ensure in building a effective SPAC ecosystem in various countries.

2. The second pillar of corporate governance delves into how composition of board and significance of independent directors helps in establishing credibility, ensure accountability and helps in mitigating conflict of interest in a SPAC merger process.
a. Role of Board of Directors in SPAC plays a key strategy in dealing with evaluation, negotiation and approval of business combination for completion of a De- SPAC transaction and ultimately leds to establishment of successful post merger company. How the board of a SPAC is composed directly effects the quality of deal which are the main responsibility of board members for conducting and overseeing due diligence before approving a merger. Composition of board also serves as a check on sponsors led decision making. It also ensures proper disclosure oversight over SPAC so that everytime investors are protected and ultimately make SPAC a success in various markets all over the world.

b. **Role of Independent Directors:** In SPAC independent directors are essential due to often concentrated control of board and power of decision making often lies with Sponsors. An absence of relationship between Directors and SPAC can provide proper

Independence which will help in giving a neutral decision on every problem related to SPAC and maintain a balanced approach during the merger process. An Independent Director helps in ensuring fairness in the acquisition process, review conflict of interest scenerios, provide a neutral solution in evaluating potential target and making terms of the deal and nevertheless help in overseeing regulatory compliance and provide with various decisions which will help in risk management post merger.

c. USA: SPAC listed on major exchanges mandated with corporate governance requirements like:

I)majority of the board members must be independent directors.

Ii) Audit, compensation and nomination committee must be fully independent

Iii) Audit Committee Financial Expert under SEC must be there in every SPA.

NYSE Listed Company Manual Section 303A and NASDAQ Rule 5605 define directors' independence and board responsibilities.[122]

Example such as Social Capital Hedosophia Holdings Corp., led by Chamath Palihapitiya includes prominent independent directors to attract high value targets like Virgin Galactic.

Palkon v. Maffei, C.A. No. 2021-0358 (2021)

In Palkon v. Maffei, the Delaware Supreme Court held that the business judgment rule, rather than the entire fairness standard, applies to a decision by a corporation to reincorporate in another state, even if the relocation may be beneficial to a controlling stockholder. This was a case specifically about TripAdvisor's reincorporation in Nevada, which was being challenged by minority stockholders who claimed the relocation was a self-interested transaction to minimize liability for the controlling stockholder and directors. The court subsequently held that the potential future benefit of Nevada law was too speculative to require entire fairness review.

The decision reinforces the need for taking into consideration the possible effect of reincorporation on the minority stockholders and to incorporate procedural protections, i.e., independent special committee or disinterested stockholder vote, to obviate entire fairness review.

In UK FCAs amended Listing Rules 2021 introduced strong corporate governance safeguard where it's said that Directors with controlling interest must not vote on a

[122] Variations in Director Independence Standards | Practical Law The Journal | Reuters, REUTERS, Sep. 1, 2024, https://www.reuters.com/practical-law-the-journal/transactional/variations-director-independence-standards-2024-09-01/ (last visited Apr 15, 2025).

proposed acquisition and also SPAC has adopted practices which have to be in consistent with UK Corporate Governance Code especially post merger.

Example Hambro Perks Acquisition Company

One of the UK SPAC implemented certain governance to align with investors protection as including Mathew Wood and Sarah Wood as Independent Non Executive Director in their Board structure aiming to enhance the decision making process in a more comprehensive and objective manner.

Singapore took a More hybrid governance approach combining US style flexibility with Asian Governance expectations implementing one third of the board to be independent.

Example Vertex Technology Acquisition corporation listed on singapore exchange emphasised on board independance and transparency in its operations. Dr Steve Lai Mun Fook and Mr Low Seow Juan both served as independent directors chating Nomination committee and Remuneration committee respectively.they were taskes to oversee evaluation of potential business combination ensuring diligence and impartiality.

3. **The Protection of Shareholder Rights** can be a cornerstone of governance structure in SPAC. It will ensure safety for public shareholders specifically minority shareholders from sponsor led structure and time constraint acquisition mandate.

a. Rights of shareholders include voting rights in every decision of SPAC especially on accepting or rejecting any business combination, right to redeem shares for disapproving the merger, right to gain access to information and disclosure of relevant data about sponsors background etc. Right framework will serve as a counterbalance sponsor control and informational asymmetries.

b. In USA SPAC market relies on SEC regulations and Stock exchange rules to protect shareholders including redemption rights, voting rights and informational rights. NYSE and NASDAQ were SPAC are listed have their own rules regulating the lifespan and seeing through De SPAC transaction deal.

- Redemption rights- SPAC shareholders have been given the right to redeem their shares acting as a safety net for investors who are in disagreement with the proposed merger.[123]

[123] Roger E. Barton & Roger E. Barton, *High Redemption Rates See SPACs Relying on Alternative Financing*, REUTERS, Jan. 14, 2022, https://www.reuters.com/legal/transactional/high-redemption-rates-see-spacs-relying-alternative-financing-2022-01-14/ (last visited Apr 15, 2025).

- ❖ Voting rights - shareholders have been given the right to vote on the proposed merger for allowing the De SPAC transaction mandated by the SEC.
- ❖ Informational Right - SEC mandated that SPAC should provide with proper informational disclosure to shareholders including proxy statement to identify any problem in financial, management of risk and dilution analyses.

In the case of IN RE MULTIPLAN CORP. STOCKHOLDERS LITIGATION,[124] the Delaware Court of Chancery rendered a precedent-setting ruling on January 3, 2022, applying settled fiduciary duty precedent to a SPAC merger. The case involved Churchill Capital Corp III, a SPAC led and controlled by Michael Klein through a sponsor vehicle. Churchill merged with MultiPlan, but within weeks of the merger closing, the stock of MultiPlan fell on the disclosure that its largest customer, UnitedHealth Group (UHC), was building a competing service—a material fact not disclosed in the SPAC's proxy statement. Churchill's Class A stockholders brought suit, claiming they were misled by partial disclosure and that the sponsor and directors acted in their own economic interest, and not in the best interests of the public shareholders.

The plaintiffs claimed that the structure of the SPAC resulted in a radical misalignment of incentives. Because the sponsor and the directors would only profit if a merger was consummated, they allegedly pushed through the deal in light of its defects and withheld material information. The court held that these claims directly implicated shareholders' individual rights—i.e., their right of redemption—and therefore could go forward as direct, rather than derivative, claims. It dismissed the contention that the right of redemption was entirely contractual and held that fiduciary duties remained applicable here. The court applied the demanding "entire fairness" standard of review and held that Klein, as controlling shareholder, would realize a sensational return if the transaction were to proceed while having less favorable alternatives available to public shareholders. The court also held that a majority of members on the SPAC's board of directors would be conflicted by virtue of their close relationship with Klein and by the prospect of future board appointment on other SPAC boards sponsored by him. Finally, the court held that the proxy did not reveal material facts—namely, the plans of UHC to end its relationship with MultiPlan—whose revelation would have had a material impact on shareholders' voting to redeem shares.

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[124] **Court of Chancery Issues SPAC-Related Decision,** *Skadden, Arps, Slate, Meagher & Flom LLP* (Jan. 5, 2022), https://www.skadden.com/insights/publications/2022/01/court-of-chancery-issues-spac-related-decision.

Lastly, the court also rejected the motion to dismiss for the defendants and allowed the breach of fiduciary duty claims to proceed against the SPAC directors and Michael Klein and maintained an aiding and abetting claim against the financial advisor, The Klein Group. The CFO was dismissed for lacking sufficient details. This decision reflects the way Delaware courts will closely examine SPAC deals for fairness and disclosure, particularly if there is partial disclosure and conflicts of interests involved. It highlights the importance of having truthful and transparent communications with investors throughout the SPAC process.

c. Post 2021 Reform FAC enhance shareholders rights for SPAC by mandating shareholders vote on acquisition and sponsors are prohibited from voting on De SPAC transaction enhancing neutrality and reducing coercion. Shareholders must offer exit opportunity before completion of a deal mirroring US redemption rights.

d. In Singapore all shareholders must approve business combination by ordinary resolution with sponsor affiliated parties abstaining from voting. Redemption rights of shareholders says that shares can be redeemed for a pro rata share of the trust account prior to De SPAC transaction.

4. **Disclosure Norms and Transparency in SPAC Governance:** Disclosure and Transparency are fundamental to ensure effective corporate governance. Clear, accurate and disclosure requirements are essential helps in building investors trust, market integrity and regulatory compliance.

   a. Importance of disclosure in SPAC are fundamental because it has no operating business with no target identification till date and investors rely on sponsors reputation and general acquisition idea. Such require robust disclosure norms through various stages of SPAC lifecycle.

   - ❖ Investors require details like sponsors background, structural information and fees required during an IPO.
   - ❖ Details about the target to be acquired, it's valuation risk factors involved and others should be clearly mentioned to investors during acquisition.
   - ❖ Post merger update like information about adoption of business strategy, corporate governance mechanism and performance should be delivered to ensure fairness and maintaining transparency throughout the process.

   b. In USA, SPAC disclosure play a vital role in investors protection. In the context of SPAC, Form S1 is the initial registration statement filed with the SEC

when no target company is acquired.[125] It contains a prospectus which provide initial details about the company and its securities to the potential investors. It contains information about SPAC structure, and its purpose, allocation of the proceeds, information about sponsors and management and details about their experience, mention about risk factors and others. In a De- SPAC transaction stage Proxy statement contains, Background of transaction, with full target financial statements and management opinions including valuation and dilution analysis is given. In post merger scenario description of combined business, risk disclosure and information about board is necessarily required. Best Example is Nikola Corporation (a publicly traded company created through SPAC) had to pay $ 125 million to the SEC to resolve the charges of defrauding investors by misleading them about its product and its technology.[126] Comission found that company violated the antifraud and disclosure provisions of the federal securities law which led to establishment of a "Fair Fund" to return penalty amount to the victims generally the investors in such De- SPAC transaction.

Delman v. GigAcquisitions3, LLC, C.A. No. 2021-0679-LWW (Jan. 4, 2023)

In Delman v. GigAcquisitions3, LLC in the Delaware Court of Chancery, the court weighed whether the sponsor and SPAC directors violated their fiduciary duty by possibly entering into a value-destroying transaction that privileged the sponsor over the stockholders' right to determine whether to redeem or invest in the post-merger company in a deSPAC transaction.

The Delaware Court of Chancery denied the defendants' motion to dismiss the action, holding that the claims were reasonably conceivable. That is to say the court assumes the plaintiff has made sufficient evidence to justify the claim that the fiduciaries of the SPAC might have violated their duties. The case highlighted the need for disclosure of the redemption option because it is the most important mechanism for protecting stockholders from a mandatory investment in a deal that they do not think is in their best interest.

In re Hennessy Capital Acquisition Corp. IV Stockholder Litigation C.A. No. 2022-0091-LWW (Dec. 12, 2022)

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[125] Special Purpose Acquisition Company (SPAC) Explained: Examples and Risks, INVESTOPEDIA, https://www.investopedia.com/terms/s/spac.asp (last visited Apr 15, 2025).

[126] Securities and Exchange Commission, *Nikola Corporation to Pay $125 Million to Resolve Fraud Charges*, SEC Press Release No. 2021-267 (Dec. 21, 2021), https://www.sec.gov/newsroom/press-releases/2021-267.

In re Hennessy Capital Acquisition Corp. IV Stockholder Litigation, the Delaware Court of Chancery for the first time dismissed breach of fiduciary duty claims against directors in a merger with a special purpose acquisition company (SPAC) on the "entire fairness" standard.

c. In UK SPAC has undertaken the requirements of disclosure seriously. It is required to describe and assess the target business and formalise the terms of the proceeds and deal and other material details to the investors so that they can take informed decision before the De- SPAC transaction takes place. FCA emphasised on public disclosure that is to be made by SPAC should be according to the compliance with UK Market Abuse Regulation.[127]

d. Similarly in Singapore prospectus discloses factors like profile of founding shareholders with their expertise and experience are mentioned with business strategy, article of association should provides share holder protection and their rights and the nature of compensation of the management team.[128] Shareholders circular should give proper disclosure of compliance history, resolution of mitigating conflict of interest, various permits and approvals and financial position of target company which ultimately ensures that SPAC are making an informed decision.

Future effectiveness of SPAC highly depend on volume of disclosure and there duty towards investors which will led to building investors confidence for success.

5. **Conflict of Interest Mitigation in SPAC:** An inherent risk of SPAC, conflict of interest can rise due to "No Deal" conflict, handling multiple SPAC at the same time, compensation to the board of directors, short term and long term investors,and underwriter contingent payment. Different parties like sponsors, initial investors PIPEs and other investors have different opinions in the transaction itself which sometimes can create conflict.

[127] FCA publishes final rules for SPACs listing in London | Davis Polk, (2021), https://www.davispolk.com/insights/client-update/fca-publishes-final-rules-spacs-listing-london (last visited Apr 15, 2025).

[128] Singapore Exchange Becomes the First Major Bourse in Asia to Allow SPAC Listings - Singapore Guide | Doing Business in Singapore, https://www.aseanbriefing.com/news/singapore-exchange-becomes-the-first-major-bourse-in-asia-to-allow-spac-listings/ (last visited Apr 15, 2025).

- **"No Deal" Conflict-** sponsors in a transaction of SPAC clearly will approach towards a strong merger of it gets an opportunity within a specified time but when time is specified and they are not getting a good target opportunity generally they have two options which are to choose between weak merger or have to go with no deal option. Due to heavy investment by sponsors closing a deal becomes more favourable to them because even in case of unprofitable merger in most cases it will prove a profitable for sponsors because at least they can recover a part of their investment rather than having no deal. This leds to a conflict with non-redeeming SPAC holders because they will ultimately loose money if the merger is a weak one.[129]
- **Multiple SPAC operated by Sponsors or other investments funds-** another type of conflict can rise if the pool of merger targets are same for a SPAC competing with other Venture Capital or Private Equity firms. Some of the sponsors even manage to have several SPAC aiming towards quick succession.But SPACs together have to fight for the same time, attention and resources as others of the sponsors.This can led to conflict of interest between SPAC shareholders and investors.
- **Directors incentive-** Board of directors who are generally the front of SPAC have a fiduciary duty towards the company and its shareholders whether it's regarding to decision making or making any business combination which is generally for the best interest of the shareholders and other investors.

  SPAC generally give their board free or discounted shares and warrants in return of their service rendered to the SPAC especially supporting merger deal the sponsors propose but many cases have been seen where conflict of interest occurred between Directors and shareholders due to breach of duty as because board members are incentives for going through the DE-SPAC transaction which are not in case of shareholders which can ultimately disfavour or even go through loss if the merger go through.
- **Difference between short term investors and long term investors-** Often long term investors aim for detailed research and due diligence in analysing the potential target which can be hampered because of short term investors and sponsors who often redeem their shares and get their money back and keep their warrants for free option on post merger scenario which destroys the integrity

[129] **CFA Institute**, *The New Age of Special Purpose Acquisition Companies*, May 2022, https://www.cfainstitute.org/sites/default/files/-/media/documents/article/position-paper/cfa-spac-investors.pdf.

and transparency of SPAC.This can led to conflict of interest between short term and long term investors.[130]

- **Underwriter incentives-** often underwriter investors (investment banks) get incentive for going through the merger in SPAC which can impair the independent decision making about the proposed merger ultimately leading to conflict of interest.

b. USA -Regulation S-K New subpart 1600 specialised in disclosure which is required for SPAC in reference to Sponsors, Conflict of interest, dilution and other.

- Disclosure of any actual or potential material which can led to Conflict of interest between sponsors, or its affiliates or directors or underwriters or unaffiliated security holders of SPAC.
- Source of dilution may require additional disclosure in registration statement during IPO and De- SPAC transaction which may include sponsors compensation, underwriters fee, shareholders dilution etc. Fundamental disclosure should be made in plain english on IPO prospectus (New Item 1062) and De- SPAC cover page(New Item 1064) regarding redemption rights, sponsors compensation, financial transactions, dilution, and conflict of interest.

c. As per UK final rules and guidance, Board and shareholders approval is required for a SPAC merger. Now to mitigate the risks involved which arise from conflict of interest, any member who has a conflict of interest towards the target company or its subsidiaries must be excluded from board discussion and voting on acquisition and must publish fair and reasonable statement regarding such Conflict of interest which will ultimately be under review of independent advisors.

d. In Singapore

SGX Catalist Rulebook (a sponsor supervised board for fast growing companies with less stringent entry criteria) have explicit provisions for mitigating conflict of interest prior to listing but are not directly linked to SPAC listed on Mainboard of Singapore Exchange. In Practice Note 6.4 (2.1) (e) which gives a general guidance on suitability assessment factor for SPAC requires alignment of interest of the founding shareholders and management team with the interest of the other shareholders.

[130] **CFA Institute**, *supra* note 129.

e. Common best practices in conflict mitigation includes independent committee, fair ess opinions, alignment mechanism, robust disclosure and enhancing fiduciary standards. Herein opaque side deals, sponsors making an exit post-merger, target company influence, and others can make significant challenges for mitigating such conflicts.

4.3. INDIA

1. Sponsors Role and Accountability

In India's SPAC structure within the International Financial Services Centres Authority (IFSCA) Regulations, 2021, sponsors are central in SPAC formation, fund-raising, and facilitating the process of business combination. It requires sponsors to have experience in fund management or prior SPAC transactions, to be made transparently in the offer document. Fiduciary duties are also imposed on sponsors to protect investors' interests.

If a SPAC is unable to complete a business combination within 36 months, it permits liquidation without permitting sponsors to withdraw money from the escrow account. To maintain pace with SPAC success, it prohibits sponsors from selling their shares prior to a merger, and mandates a one-year post-merger lock-in on sponsor shareholdings.

Disclosure and underwriting requirements are also tight which requires that 50% of underwriting commissions be withheld and placed in escrow, forfeited if liquidation occurs. Disqualifications are also provided for those sponsors that have a track record of previous financial abuses. Overall, the structure guarantees that SPAC sponsors are credible, transparent, and accountable, with arrangements that align their interests with the interests of investors, promoting the integrity of SPAC activities in India's International Financial Services Centres ecosystem.

2. Board Composition

Although the International Financial Services Centres Authority (IFSCA) Regulations do not prescribe a direct board composition for Special Purpose Acquisition Companies (SPACs), they indirectly influence board composition by establishing implicit expectations of compliance, accountability, and monitoring of operations. Since SPACs are constituted without an ongoing business, their boards are usually composed of members who have high levels of financial, mergers and acquisitions, corporate law,

and regulatory compliance expertise. In most instances, the lead sponsor is also a member of the board to ensure strategic continuity and enhance investor confidence.

While not mandatory, independent director participation is generally found, especially in the target identification and due diligence phases. Such directors are tasked with providing objectivity and avoiding possible conflict of interest, especially in the case of the target organization having ties with the sponsor. The board's fiduciary responsibilities take precedence, as they must ensure that any proposed business merger is in the best interest of unsuspecting shareholders during the investment period.

The board collaborates with legal counsel and merchant bankers to double-check compliance with full disclosure. The board also obtains shareholder approvals in the event of mergers. All these requirements necessitate the board being well-versed in legal as well as strategic aspects of SPAC transactions.

Essentially, while the IFSCA allows for flexibility in board make-up, the general regulatory environment encourages the appointment of a professional and, where necessary, an independent board. This type of governance structure enhances transparency, protects investors, and improves the integrity and effectiveness of SPAC transactions in India's IFSC environment.

3. Shareholders Rights

India's SPAC regulatory framework under the IFSCA has stern focus on protecting shareholder rights throughout the life of the SPAC. As SPACs are kind of blind pools, investors are provided with substantive protections and voting rights such that capital protection and transparency is guaranteed.

One of the significant protections is the right of redemption under which shareholders can opt to redeem their shares if they are against a suggested business combination or on a change of control. This allows investors to exit in case they are not happy with the path the SPAC is taking. It also enhances investor protection by requiring that if a SPAC is unable to achieve a business combination within 36 months, it shall be wound up and pay out the escrowed funds to shareholders to avoid long-term capital lock-in. Transparency is enforced by requiring extensive disclosures in the offer document.

These are the sponsor, risk factors, financials, and redemption/liquidation rights, which enable investors to make well-informed decisions.

Shareholder voting rights are also important in any business combination must be approved by shareholders to ensure collective decision-making and to avoid one-sided action by the board or sponsor. Overall, the structure firmly enforces shareholder rights through redemption options, temporary protection, voting powers, and mandatory disclosure, thus increasing investor confidence in SPAC activity.

4. Disclosure Norms

India's SPAC regulatory regime, by the International Financial Services Centres Authority (Issuance and Listing of Securities) Regulations, 2021, puts great focus on stringent disclosure standards to make the system transparent, safeguard the investors, and instill market confidence.

IFSCA mandates SPAC issuers to include comprehensive disclosures in the draft of the offer document, which is floated for public comments for a minimum period of 14 days. Disclosures that are required include details about the purposes of the SPAC, sponsor's experience, risk factors, capital structure, right of redemption and liquidation, tax and underwriting arrangements, financials, and related party transactions. Such disclosures enable investors to make informed decisions at the IPO level.

Additionally, the lead manager must submit a due diligence certificate attesting to the accuracy and completeness of information disclosed. It is an additional layer of obligation in preparing for an IPO. SPACs are required to obtain in-principal approval from a recognized IFSC exchange while listing, and any observation of the regulator should be included in the final offer document. Disclosure is not just limited to the IPO, but a prospectus should also be filed in the period of business combination. The prospectus should refer to the target company, transaction structure, and legal and financial condition of the combined entity.

These disclosure requirements are not just for the SPAC but also for sponsors, merchant bankers, and other intermediaries so that they are held accountable. The two-stage disclosure mechanism, at IPO and merger, makes investors well-informed at every stage of the SPAC life cycle.

5. Conflict of Interest

India's SPAC regulatory regime, regulated by the IFSCA, has stringent measures to reduce inherent conflicts of interest between sponsors and public investors. It is one of the strongest safeguards, disallowing related party transactions between the SPAC and target during acquisition, thereby preventing sponsors from benefiting affiliated entities.

For guaranteeing quality of deal, IFSCA requires the target to have a minimum fair market value of 80% of the escrowed amount, preventing the choice of inappropriate or undervalued firms just for the sake of meeting the 36-month deadline. It also provides shareholders with redemption rights if they are against the intended deal, enabling them to leave and steer clear of being tied up by potentially biased choices.

Sponsor behavior is tightly controlled. sponsors are prohibited from selling their shares until the business combination is consummated, and has a one-year lock-in after the merger. These conditions ensure that sponsors are committed to the long-term success of the SPAC. Underwriting practices are also covered. IFSCA mandates that a minimum of 50% of commissions be deferred and escrowed until completion of the business combination, aligning underwriter incentives with investor results.

Additional protections include requirements for public offer document review, independent due diligence, and ongoing supervision by IFSCA, establishing transparency and limiting the possibilities of sponsor-induced manipulation. Combining these in a single, comprehensive framework puts in place an effective governance mechanism that places premium importance on investor protection, lowers conflict of interest, and incentivizes ethical behavior across the lifecycle of SPACs.

6. Post Merger Performance Monitoring

After the execution of a business combination, India's SPAC regulatory regime focuses on monitoring post-merger performance for ensuring long-term value creation as well as compliance with governance norms. The resulting operating entity is required to report all the details of the transaction, such as valuation, structural changes to capital, and material terms, to the recognized stock exchange to ensure transparency for investors. The post-merger company must satisfy all the eligibility requirements of listed companies, such as adherence to corporate governance standards, timely financial disclosures, communication with shareholders, and board supervision. Although there

is no distinct performance assessment framework, the merged company is under ongoing listing obligations that guarantee constant regulatory and market monitoring.

To synchronize sponsor interests with long-term performance, the framework requires a one-year lock-in requirement for sponsors and top managerial staff, deterring short-term profit-taking. Furthermore, any material departure from reported plans or inability to achieve important milestones may initiate regulatory steps, reputational risk, or shareholder activism. Overall, the framework provides that post-merger organizations uphold superior levels of disclosure and accountability, protecting investor interests and supporting confidence in SPAC-led listings within India's IFSC environment.

4.4. COMPARATIVE ANALYSIS

Across jurisdictions, sponsors are required to invest a proportion of the SPAC's capital upfront, ranging from 2% to 5% of the IPO proceeds, creating a baseline alignment. However, the 20% promote equity typically granted to sponsors introduces a risk of misaligned interests, incentivizing sponsors to pursue any merger, regardless of quality to avoid liquidation. To offset this, regulators in established markets like the U.S., UK, and Singapore impose lock-in periods and link sponsor remuneration to long-term performance results. Singapore and the UK also mandate sponsors to possess verifiable M&A or capital markets experience, and occasionally delay remuneration depending on post-merger performance. India, while still developing its framework, has made robust moves under the IFSCA by excluding sponsors associated with financial misbehavior and imposing a one-year lock-in after the merger. Yet, to become completely aligned with international best practices, SEBI might go a step further by requiring performance-based vesting and sponsor background disclosures in offer documents. As far as Board Composition is concerned, all jurisdictions highlight the significance of independent monitoring throughout the de-SPAC process.

While the U.S. is based on best practices as opposed to prescriptive mandates, numerous American SPACs have independent directors serving on major committees to manage the transaction and reduce sponsor control.[131] The UK takes it one step further, with independent non-executive directors participating in the approval of material disclosures and transactions. Singapore requires board members to have M&A,

[131] Suhaliya Qureshi, *Special Purpose Acquisition Companies (SPACs): A Legal Perspective on Corporate Governance, Securities Compliance, and Regulatory Challenges*, **Int'l J. for Multidisciplinary Res.** (Nov.–Dec. 2024).

legal, and financial experience, and promotes diverse board composition, including gender. India, on the other hand, does not currently have mandatory board requirements for SPACs, though IFSCA rules recognize the necessity for regulatory control. To achieve international standards, India might mandate SPAC boards to have independent majorities of directors, create independent committees to review proposed mergers, and adopt fiduciary duty statements to ensure accountability. On Shareholder Rights, the international trend is toward robust voting and redemption protections to protect public investors in blank-check vehicles.

U.S. investors can vote on mergers and redeem at NAV no matter their vote, a two-layer protection mechanism that reduces forced participation in bad deals. The UK and Singapore have similar models, with mandatory shareholder approval and full redemption rights. Singapore provides additional protection by mandating independent valuations, especially for transactions involving targets below profit levels. India's IFSCA regime offers redemption rights and a 36-month transaction completion period, but does not have extensive voting mandates and fairness opinions. SEBI may consolidate India's standing by imposing shareholder voting on every de-SPAC transaction, imposing redemption rights at NAV, requiring disclosure of strategic reasoning, and limiting focused post-merger ownership to safeguard minority rights. Disclosure Norms are imperative to preserve transparency across the SPAC life cycle.

All three major SPAC jurisdictions require elaborate disclosures both at IPO and merger levels, including sponsor interests, risk of conflicts, methodology of valuation, and target company accounting. The U.S. SEC has recently made more stringent demands to cover forward-looking information, management history, and related-party disclosure. The UK's FCA demands an extensive prospectus at IPO and extensive deal documentation at the de-SPAC level. Singapore's SGX also demands prior disclosure of acquisition approach, sponsor history, and financial terms. India's present disclosure regime under IFSCA has details of sponsor and application of proceeds but is not as strong as that of global peers. SEBI should make DRHP filings compulsory with more comprehensive sponsor details, fairness opinions from independent valuers, and timely disclosure of merger progress to align with international standards of transparency. For Conflict of Interest Mitigation, all jurisdictions agree that sponsor promote structures have the potential to lead to unaligned incentives.

The U.S. utilizes redemption rights and independent review committees to counteract sponsor opportunism, the UK demands prior sponsor-target relationships to be disclosed and insists on independent NED involvement. Singapore stands strong in insisting on related-party deal approval by minority shareholders and independent financial analysis. India's present procedures under IFSCA forbid conflicting sponsors but don't have very strong merger review processes. An effective Indian system must include mandatory review of transactions by a separate board committee, advance relationship disclosures, and longer sponsor lock-ins in order to deter suboptimal deal-making based on self-interest. Lastly, in Post-Merger Monitoring, the United States has the strictest reporting requirements under the Securities Exchange Act, such as quarterly and annual filings.

The UK and Singapore are no different, demanding adherence to general listing requirements, corporate governance codes, and real-time market disclosures. Both also place a strong focus on lock-in periods and public examination of post-deal performance against projections. India's IFSCA regime requires the merged entity to be listed to standards, but does not provide detailed guidance on continuous reporting. To enhance post-merger accountability, SEBI must mandate performance-based earn-outs, regular financial disclosures for a minimum of three years after the merger, and monitoring by independent committees and auditors. Greater exchange monitoring and SEBI-initiated audits could also ensure that SPAC mergers bring long-term value to investors.

4.5. CONCLUSION:

The development of Special Purpose Acquisition Companies (SPACs) has brought a dynamic new alternative to the traditional IPO, providing firms with a quicker, more agile path to the public markets. But with this innovation is the urgent need for sound corporate governance structures to counter risks, enhance transparency, and protect shareholder interests. The complexity and novelty of the SPAC structure—most notably its disconnection between capital raising and target selection—call for a regulatory framework that weighs flexibility against firm oversight.

Across jurisdictions such as India, the United States, the United Kingdom, and Singapore, the regulation of SPACs has taken various models but converges on some

fundamental principles: sponsor responsibility, board independence, protection of shareholders, increased disclosure, and conflict of interest reduction.

India's SPAC regime under the IFSCA Regulations, 2021, although still restricted to IFSCs, has impressively adopted a number of global best practices. It enforces sponsor qualification, lock-ins, disqualification for prior wrongdoing, and escrow-based payments. Likewise, it focuses on shareholder voting, redemption rights, and two-tiered disclosure processes to promote transparency and safeguard public investors. Nonetheless, there remains scope to better enhance oversight—especially in board independence and monitoring post-merger performance, where explicit guidelines and obligatory responsibilities would provide nuance to governance norms.

The U.S. model, although mature and market-oriented, has come under fire for sponsor incentives and post-merger underperformance, leading the SEC to introduce new rules under Regulation S-K for greater disclosures regarding dilution, conflicts of interest, and sponsor compensation. The UK FCA approach is more prescriptive, with board exclusion of conflicted directors and implementation of best practices from the UK Corporate Governance Code. Singapore employs a hybrid approach, which incorporates American flexibility with Asian norms of governance, requiring board independence, valuation levels, and voting rules that shield minority shareholders.

What is clear is that SPAC governance breakdowns—misaligned incentives, poor due diligence, and impenetrable disclosures—can have negative consequences for investors. As such, an effective governance framework needs to give top priority to independent oversight, performance-linked sponsor incentives, fairness opinions, and transparent delineation of powers between parties involved.

To conclude, corporate governance is not merely a compliance requirement but the cornerstone of faith in the SPAC process. As SPACs expand world over, particularly in emerging economies such as India, infusing robust governance customs appropriate to market realities will be essential for maintaining investor faith, guaranteeing deal quality, and molding SPACs into a credible tool for public market entry and long-term value formation.

CHAPTER 5

CONCLUSION AND RECOMMENDATIONS: A PROSPECTIVE APPROACH BY INDIA

5.1 INTRODUCTION

The advent of Special Purpose Acquisition Companies (SPACs) as a credible alternative to Initial Public Offerings (IPOs) has revolutionized world capital markets by providing an accelerated, lighter-regulated route for companies, particularly like startups and high-growth enterprises which seek to list. In India, the idea of SPACs is still in the development phase. At present, the only legally approved path for SPACs is through the International Financial Services Centres Authority (IFSCA), e.g., GIFT City. Yet, for India to integrate SPACs fully into its larger financial and legal framework, some fundamental reforms across branches of law are essential. These comprise changes to SEBI ICDR Regulations to permit SPAC IPOs on local exchanges, streamlining M&A and cross-border transaction clearance, tax law clarification on capital gains treatment on De-SPAC transactions, and development of anti-money laundering protections customized to SPAC structures.

Just as essential are company law reforms, particularly in relation to Section 248 of the Companies Act, 2013, which threatens the very existence of non-operating vehicles such as SPACs. Additionally, to deal with the increasingly transnational character of SPAC deals, particularly those with foreign sponsors or Indian targets, there must be strong private international law norms, including effective dispute resolution tools and contractual terms of jurisdiction and governing law.

This broad-based legal reform agenda should not only remove regulatory impediments but also seek to establish investor confidence, reduce risks of abuse, and harmonize Indian SPAC structures with international best practices. By infusing transparency, accountability, and investor protection in every facet of the SPAC life cycle like from formation and IPO to business combination and post-merger governance, India can

realize the full potential of SPACs as a new-age instrument of capital formation and economic growth.

5.2. CONCLUSION:

The development of Special Purpose Acquisition Companies (SPACs) from initial blind pools to conventional listing mechanisms is a landmark transformation in capital markets, particularly in high-growth industries. Although the United States has been at the forefront of SPAC activity for a long time, with well-established legal regimes and adaptive governance arrangements, the United Kingdom and Singapore have taken cues from them in introducing innovative, investor-friendly measures. India, although slow to the SPAC party, has made foundational progress through the IFSCA's regulatory structure at GIFT City. But a national framework is still underdeveloped, and comprehensive reforms in securities, tax, company, and cross-border law are needed to make a SPAC market feasible and investor-friendly domestically.

The major differences between India's financial and regulatory systems and those of the US, UK, and Singapore are in the coordination, flexibility, and maturity of legal structures. Whereas the US is based on a disclosure model under the SEC with robust investor protection in the form of redemption rights and sponsor compensation transparency, India's SEBI structure has not yet incorporated SPAC-specific provisions into its mainstream capital market laws formally. The UK prioritizes governance discipline through institutional investor regulation, and Singapore finds a balance between sponsor responsibility and market competitiveness. India's rules-based, compliance-oriented approach (e.g., winding up under Section 248, or tax uncertainties under the Income Tax Act) creates drag for SPACs, hindering their flexibility and global appeal. These lacunae directly impact India's slow take-off and limited usage of SPACs in its capital markets.

Although being refined through IFSCA's efforts it needs to adapt to face SPAC-relevant challenges. Misaligned sponsor incentives, weak post-merger accountability, and inadequate transparency risks can be addressed by requiring independent board supervision, vesting linked to sponsor performance, third-party fairness opinions, and

binding disclosures in offer documents. SEBI should also impose stricter post-merger supervision, including lock-ins and mandatory financial disclosure, to ensure long-term value creation. Incorporating corporate governance standards like independent audit committees for de-SPAC transaction review and requisite fiduciary duty statements would move India further toward global standards in protecting public investor interests.

Lessons from Global Jurisdictions India can learn from SPAC models of the US, UK, and Singapore to create a strong and appealing legal framework. India can learn strong disclosure norms, redemption-facilitating mechanisms, and SEC-style monitoring of sponsor incentives from the US. The UK provides useful governance templates, such as conflict-free board participation, shareholder voting rights, and reforms emphasizing transparency. Singapore's emphasis on sponsor quality, valuation safeguards, and public float requirements highlights a balanced strategy for managing SPAC risks in emerging economies. India's alignment with such standards, alongside domestic legal reforms would significantly enhance investor protection and regulatory credibility.

In retrospect, SPACs have come a long way, developing from blind pools of 18th-century England to capital-raising vehicles today. The landmark milestones in the US include the Penny Stock Reform Act and the 2024 SEC rules. The UK and Singapore joined suit with their reform efforts in 2021 with a view to promoting market engagement without sacrificing investor protections. India's progress commenced under IFSCA, still being limited to GIFT City.

Governance frameworks comparison showcases India's structural weaknesses dealing with lack of mandatory independent board requirements, restricted voting rights, and insufficient conflict avoidance measures. In contrast, the US, UK, and Singapore implement comprehensive regulatory practices for transparency, sponsor discipline, and minority protection, whereas India's existing model is excessively strict and fragmented. Alter SEBI ICDR Regulations to incorporate SPAC-specific IPO guidelines. Ensure tax neutrality for cross-border mergers, exempt SPACs from premature winding-up provisions, introduce clear dispute resolution frameworks and promote ADR and mandate board independence, sponsor transparency, and post-merger performance disclosures.

SEBI's ICDR rules must be revamped on a holistic basis to cover SPAC-specific IPO regulations, permit private equity investment, and do away with archaic conditions such as financial history. Moreover, FEMA and RBI's M&A rules must facilitate fast cross-

border deals, and tax neutrality in SPAC mergers is of the highest priority. Company law amendments must avoid early unwinding of SPACs and establish related-party standards. Anti-money laundering compliance and jurisdictional issues will be further reinforced by strengthening through private international law and ADR frameworks. With judicious legal and regulatory reforms, India can establish a globally competitive SPAC environment, releasing capital for innovation-driven enterprises while providing robust investor protection.

In Conclusion, The lack of comprehensive legal and regulatory structure hampers the growth and adoption of SPAC in India compared to US, UK and Singapore. Strengthening Corporate Governance Mechanism and easing regulatory oversight can positively impact the SPAC activity, investors sentiments and post-merger performance in India. Both of the hypothesis are proved in this dessertation and recommendations are given further so that SPAC framework can be implemented in India.

India is at a strategic juncture where SPACs have the potential to provide an active finance pathway for innovation-led firms and win international capital, but only if framed by a coordinated, open, and forward-looking legal framework. Adopting best practices from around the world and tailoring them to the regulatory context in India will not merely construct a worthy SPAC ecosystem but also reinforce investor trust and place India in the new map of global capital markets.

5.3. RECOMMENDATIONS

5.3.1. SECURITIES LAW

To promote the growth of Special Purpose Acquisition Companies (SPACs) in India, far-reaching reforms need to be made in the current securities law framework, especially under the regulatory domain of the Securities and Exchange Board of India (SEBI). Currently, SPACs in India are capped in their capacity to raise capital since they can list and issue IPOs on only stock exchanges located within International Financial Services Centres (IFSCs), like GIFT City. This restricts access to a wider investor base and limits SPAC activity to a niche jurisdiction.

The first regulatory reform required is the modification of the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018 (ICDR Regulations) to render them more SPAC-friendly. If the ICDR Regulations are amended in a way that closely

resembles the IFSCA (Issuance and Listing of Securities) Regulations, 2021, with suitable modifications where they may enable SPAC IPOs on all domestic stock exchanges. Such reform would facilitate participation not just from institutional investors but also from retail investors, opening up access to SPAC investments in India's capital markets.

To facilitate this wider inclusion, SEBI would have to add a special chapter to the ICDR Regulations dealing exclusively with SPACs. This chapter must articulate clear eligibility conditions, specify the IPO process, offer structure, disclosure requirements, issue size, pricing norms, underwriting arrangements, application and allotment mechanisms, and post-merger obligations. Second, Regulation 6 of the ICDR Regulations, which presently stipulates conditions on historical financial performance, must have an exception clause in respect of SPACs. Considering the non-operational status of SPACs when they are created, they are not able to fulfill conventional requirements with respect to net tangible assets, profitability, or net worth. Hence, excluding SPACs from these historical standards and using a distinct regulatory standard would ensure legal compatibility with their special structure.

A second reform is the SEBI (Alternative Investment Funds) Regulations, 2012, which lack clarity now regarding an investment by venture capital funds and other AIFs in SPACs. A clear provision allowing AIFs to invest in SPAC IPOs would create access for institutional capital, especially from high-growth, early-stage firm-specialized funds often targeted by SPACs.

Finally, reform must be undertaken in India's foreign exchange regime, particularly under the Liberalised Remittance Scheme (LRS) governed by the Reserve Bank of India (RBI). The existing limit on allowed outward remittances can limit Indian residents' ability to invest in foreign-listed SPACs, especially when the fair market value of shares exceeds the LRS threshold. Raising the LRS limit or providing special provisions for SPAC-related investments would resolve this issue and enable cross-border investor involvement.

In summary, a SPAC-friendly regulatory ecosystem in India requires targeted amendments to the SEBI ICDR Regulations, SEBI AIF Regulations, and RBI’s LRS framework. These changes would expand capital access, encourage institutional and

retail participation, and support the growth of SPACs within both domestic and international contexts.

5.3.2. MERGER AND ACQUISITION

In the mergers and acquisitions (M&A) context involving Special Purpose Acquisition Companies (SPACs), although some issues like valuation intricacies which can be suitably resolved by strong accounting norms and administrative best practices, the overall regulatory environment is a key impediment. For facilitating easier SPAC operations and for their development in the Indian capital market, specific legal and procedural reforms are necessary.

The first broad area of reform is to simplify the process of securing regulatory clearances, specifically from the Reserve Bank of India (RBI) and under the Foreign Exchange Management Act (FEMA). These approvals are currently time-consuming and cumbersome, especially for cross-border SPAC deals involving Indian target firms. As SPACs are subject to a statutory deadline, typically 18 to 36 months, to achieve a business combination, regulatory clearance delays threaten the overall transaction. For this purpose, a separate fast-track process of approval with regard to SPAC mergers needs to be implemented. This would allow regulatory requirements to be met without denying the time-sensitive nature of SPAC transactions.

The second of the primary areas of reform relates to how Indian companies are regulated after being acquired by a foreign SPAC. Currently, when an Indian company is acquired by a foreign entity directly or by way of a SPAC, strict regulations that are common in foreign subsidiaries immediately apply to the Indian entity following the merger. Such requirements could involve foreign ownership compliance obligations, financial reporting standards, as well as other cross-border operational restrictions.

To induce greater SPAC-supported talent for Indian companies, it is advisable that post-acquisition compliance overhang be eased, such as for a transition phase. Granting temporary relief from some of the stricter provisions for acquired Indian companies would offer operational flexibility and make the SPAC channel more appealing to Indian enterprises wishing to access global capital markets.

In reality, encouraging SPAC-driven M&A activity in India necessitates regulatory flexibility for quicker approval cycles and a more accommodating compliance environment for target firms. Such reforms would not only assist in harmonizing India's legal framework with international SPAC practices but also unlock new avenues for foreign investment and public listings through SPACs.

5.3.3. TAX LAWS

In order to provide a more tax-effective setup for SPAC mergers and acquisitions in India, certain changes in the Income Tax Act, 1961 are essential. The existing law system is not fully suitable for the distinctive arrangement of De-SPAC transactions, especially when the merged company is a foreign business firm. This deficiency will lead to adverse taxing, which may deter involvement in SPAC-driven mergers and acquisitions.

A principal suggestion is the addition of a proviso in Section 47(vi) of the Act. At present, this clause is exempting capital gains tax on the transfer of capital assets in a scheme of amalgamation if the amalgamated company is Indian. SPACs being global in nature, it happens that several De-SPAC transactions are those where foreign SPACs take over Indian companies. Thus, to encourage such cross-border mergers, it is suggested that the law be modified to make transfers of capital assets to overseas SPACs tax-free, i.e., when such transfers are made in the context of a SPAC-related amalgamation. This would prevent the transaction from being classified as a taxable "transfer" under Section 45, thereby avoiding the incidence of capital gains tax in such situations.

A concurrent reform is proposed under Section 47(vii)(b), which presently excludes shareholders of an amalgamating company from capital gains tax only if the shares they receive are in an Indian amalgamated company. In the case of SPACs, this restricts the involvement of Indian shareholders in transactions where the resulting entity is foreign. To facilitate shareholder participation in SPAC mergers, it is suggested that an exception be created under this provision as well, so that tax exemption can be granted even when the merged company is a foreign company, as long as the transaction is being undertaken as part of a De-SPAC process.

5.3.4. ANTI MONEY LAUNDERING LAW

Since SPACs are by nature shell companies created without operating businesses at incorporation, money laundering risks have become a significant regulatory issue worldwide. Such risks are especially acute in places such as India, where strong financial regulation is essential to counteract money laundering and other illicit financial flows. Consequently, the absence of proper anti-money laundering (AML) protections is one of the principal reasons for the Indian hesitation regarding SPACs.

To rectify these concerns and encourage a safer and more transparent SPAC environment, India must establish a dedicated AML regulatory system geared specifically to SPACs. Such a system must involve SPAC-specific disclosure rules, unequivocal restrictions on the sorts of target businesses for which SPACs are able to take on, and spelled-out AML obligations of SPAC sponsors. Those would serve to de-risk to an extent the chances of using SPACs to layer or conceal illicit money using sophisticated cross-border transactions.

In addition, a simple and effective fix would be to require independent AML audits and inspections as a procedure in the SPAC process. Mandating that SPACs hire third-party, certified parties to perform AML checks and report on them to regulators would both enhance due diligence and build regulatory confidence in SPAC transactions.

By integrating these requirements of compliance within the wider SPAC regulatory framework, Indian authorities can achieve a balance between promoting financial innovation and protecting the financial system's integrity. Such precise reforms would dispel fears of abuse, maintain transparency during the SPAC lifecycle, and ensure greater acceptability of SPACs in India's capital markets.

5.3.5. COMPANY LAW

To establish a facilitative legal environment for Special Purpose Acquisition Companies (SPACs) in India, significant reforms are essential within the framework of the Companies Act, 2013. One of the prime issues is concerning Section 248, which authorizes the Registrar of Companies (ROC) to remove a company's name from the register if it has failed to start business within one year of its incorporation. Although this provision is intended to curb inactive or fictitious entities, it unintentionally

becomes a hurdle in the operation of SPACs, which are purposefully non-operational companies on the day of incorporation, created to support a business combination within a stipulated period only.

To deal with this, it is suggested to provide a specific exemption under Section 248 for SPACs. This exception ought to enable a SPAC to maintain its registered status until earlier of 36 months from when it was formed or the effectuation of business combination. Conferment of such an exemption would recognize SPACs' distinctive lifecycle as well as provide them with essential legal continuity necessary to make acquisitions without the threats of early demise. This reform would be a big leap towards promoting the establishment of Indian-origin SPACs and integrating them into the general capital markets paradigm.

Secondly, in order to strengthen corporate governance and prevent conflicts of interest, it is necessary that the Companies Act will by way of delegated legislation which will prescribe specific guidelines on related party transactions (RPTs) relating to SPACs. Such regulations must require comprehensive SPAC-specific disclosures and provide a specific definition of what a related party transaction in the context of SPAC operations is, particularly during the acquisition phase. A comprehensive list of qualifying transactions, reporting requirements, and compliance mechanisms would provide more transparency and prevent abuse of funds or insider trading.

Through the inclusion of these specific amendments in both to protect SPACs from being struck off earlier than warranted and to control related party transactions which will enable India to build a more facilitative legal framework for SPACs. This would not only encourage innovation in capital raising but also bring the country's company laws in line with international best practices in SPAC regulation.

5.3.6. PRIVATE INTERNATIONAL LAW

In order to properly deal with the contractual and jurisdictional nuances of SPAC transactions, one must integrate ascertainable and enforceable private international law mechanisms within the structure of the transaction. One of the main reforms here is the specific inclusion of a "choice of law" provision and a plainly stated dispute resolution mechanism within the contractual agreements of SPAC transactions. These terms

should determine whose laws will apply to the agreement and designate the proper forum or mechanism for resolving disputes.

In addition, it is advisable that such legal provisions be revealed in advance in the SPAC's prospectus so that investors and potential shareholders are adequately informed of their legal rights and remedies prior to committing any funds. Such disclosure enables investors to know where and how they can assert their rights in the event of any future dispute or default, thereby enhancing investor confidence and legal certainty.

Along with transparent contractual drafting, the encouragement of statutory alternative dispute resolution (ADR) mechanisms such as arbitration, mediation, and expert determination is strongly recommended for SPAC-related disputes. These approaches provide faster, cheaper, and more flexible options compared to traditional court litigation, particularly when there are multiple jurisdictions involved. ADR reduces complicated cross-border litigation and prevents long-drawn-out legal battles that usually occur due to conflicting laws and procedural barriers in various countries.

By incorporating ADR clauses and a clearly specified choice of law into SPAC agreements, parties can greatly reduce private international law issues. This is not only beneficial to facilitate easier enforcement of rights between jurisdictions but also promotes the application of predictable and effective dispute resolution mechanisms, which are critical for the long-term success and global reputation of SPAC transactions in India.

5.4. OTHER RECOMMENDATIONS:

SEBI rules and IFSCA regulation implementation in domestic market can bring in distinct mandates on board composition, mandating a majority of independent directors, along with constituting specialized committees to independently analyze merger proposals. Enacting fiduciary duties into law will still serve to ensure that the de-SPAC procedure is executed with openness, fairness, and integrity. In addition, sponsors' compensation structure needs to be reformed such that it is tied to the long-term performance of the resulting entity, as opposed to a simple successful execution of a deal. Aligning sponsor compensation with post-merger performance through structures such as performance-based vesting would align their interests more closely with public investors' interests.

Furthermore, the creation of strong shareholder rights of a formal nature—such as mandatory voting rights on all merger proposals, redemption rights at net asset value, and stringent public disclosure requirements of the strategic rationale of the business combination, must be formalized by law. Such measures would assist in controlling excessive influence, safeguarding minority interests, and fostering participatory decision-making. India can further adopt a tougher disclosure regime requiring detailed and open information both at the IPO stage and at post-merger reporting. Such disclosure can range from sponsor backgrounds, likely cases of conflict of interest, analysis of dilution, and long-term financial estimates, if checked by unbiased finance professionals.

To control conflicts of interest, a uniform process ought to be instituted mandating independent fairness opinions, disclosure of pre-existing relationships between concerned parties, and extended share lock-in periods for executives and sponsors after the merger to maintain accountability. There also needs to be post-merger monitoring mechanisms such as mandatory financial reporting for at least three years, public disclosure of real performance against anticipated results, and periodic audits or assessments by independent experts or regulatory bodies such as SEBI.

Implementing these reforms would enable India to create a well-governed and transparent SPAC regime that preserves the operational flexibility of SPACs while providing robust investor protections. A governance-focused approach would promote investor confidence, draw high-quality listings, and facilitate the sustainable growth of India's capital markets.

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